THE Freeman

IDEAS ON LIBERTY

JUNE 1961

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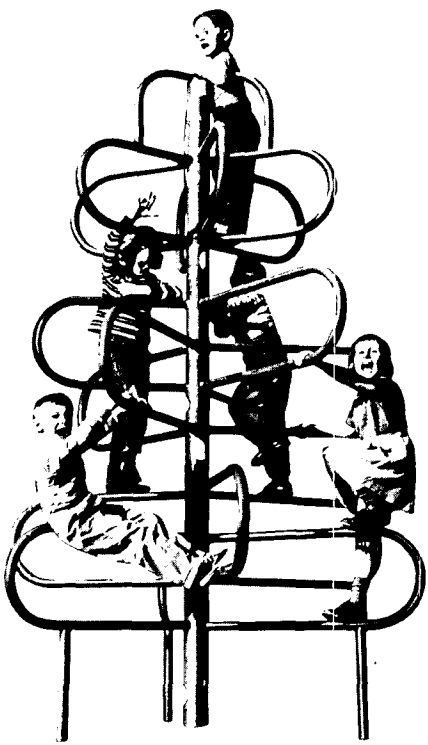

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THE Freeman

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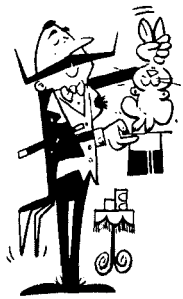
JOHN C. SPARKS



THE ART OF DECEPTION

THE ART OF DECEPTION is entertaining when performed by athletes and magicians. A baseball pitcher throws his fast ball, curve, and change-up with the same motion in order to deceive the batter. The T-quarterback pretends to hand off the football to each of several running backs so as to confuse and mislead the defense. The basketball player fakes a shot hoping to draw the defensive player off balance so he can dribble around him. The magician cleverly entices his audience into watching the wrong action while the *coup de grace* occurs unobserved.

Unfortunately, the use of deception is not limited to the field of entertainment, for there are despicable persons who often dupe unsuspecting victims out of their life savings. Many examples could be cited every day from the nation's newspapers.

Mr. Sparks is a businessman in Canton, Ohio.

There is a far more dangerous game of deception going on in our country, however, which not only threatens our life savings but our freedom as well.

How are we fooled?

One of the cleverest deceptive temptations ever developed is the federal grants-in-aid matching funds scheme, whereby the federal government encourages a perfectly normal and healthy community to desire an improvement of some sort for which it would rather not pay. For example, an expressway, a recreation center, a new water system, an addition to the hospital, urban renewal—the list is endless, and the community is enticed to ask for federal money to pay a large part of the cost of the project. The civic leaders are urged to get their share for their community or others will consume it instead.

"We're paying for it, so we might as well get our share." The

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people in Community A will be taxed just as much as the people in Community B, and if A does not accept federal aid, B and other communities like B will get A's share. One must look beyond the short-run period of time, observe beyond the confines of his own community, and evaluate the results in more than just the immediate dollars to find why this reasoning is faulty. The federal-aid *modus operandi* is skillfully deceptive in covering up its true objectives. Let's look at the features of this kind of "trick play," because it really has everything working for it.

• *It corrupts the opposition.* How can one develop a better bit of strategy than to trick the star pitcher of the opposing team into pitching against his teammates? This scheme does just that, for it is directed at the civic leaders of the community – not only those who sincerely want to see their city progress but often those who are the outspoken advocates of free enterprise. It is a sorry picture when the leading citizen, normally a sound individualistic-thinking champion of freedom, falls for the federal grant scheme. He is corrupted quite effectively and his usefulness to the cause of free enterprise is not only lost to his ball team in the one case involved, but in all future opportunities to speak up for freedom. Can a man be an effective leader for honesty if he has dipped his hand into the cash till of his company? Can a man attract followers to the cause of fidelity if he is known to have been unfaithful to his wife? And so it is with the civic leader, the spokesman on behalf of free enterprise and limited government, who is never as effective in his support of the freedom cause after he has been seduced by "gifts" from Washington.

• *It undermines self-reliance.* There is no better way to bring about failure of a third-grade arithmetic student than by doing his homework for him. There is no better way to lose the strength of healthy legs than by the continual use of crutches. To learn how to conquer adversity, one must meet it. Local pride of community accomplishment surely does not follow in the wake of a successful begging jaunt to Washington. We lose faith in ourselves to do what must be done by ourselves. Instead, we begin to believe there is an endless treasure in Washington – the political magician makes us see what he wants us to see, although we should know that it is nothing but a clever use of mirrors to perpetrate

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upon us an optical illusion using our own money. With confidence and self-reliance gone, we become spineless pawns for whatever further manipulation the schemers have in mind.

• *It could lead to financial bankruptcy.* The project desired by the local community is almost always of a size or nature allegedly beyond the community's monetary resources. The hospital needed as ascertained by the typical survey to bring the community up to someone's idea of standard, is usually much more than the community believes it can afford or is willing to buy out of its own funds. This is an obvious truth, for if it were otherwise there would be less effective argument to seek outside assistance. The sum total of many projects all over the country, each well beyond the available funds, could spell financial bankruptcy. The cost of all projects in all communities must be paid for by the taxation of the people living in all of the communities throughout the nation – and if everyone is induced to buy more than good judgment would dictate, the total results flirt with financial disaster.

A family – father, mother, and three children – has purchasing power limited to dad's salary and the savings account set aside for emergency use. Let us suppose each member of the family yearns to buy something more expensive than can be fit comfortably into the family budget. Susie wants a swimming pool. Mother wants a remodeling job in the kitchen with all new appliances. Dad wants a new car; and John wants to enroll next fall at an expensive college. The bicycle the youngest boy wants is "small change" by comparison. Not one of the potential purchases alone would wreck the family's financial position. But together, it is a different story!

Therefore, the $3,000 swimming pool will have to be eliminated in favor of a $75 membership at a nearby swimming club. The kitchen remodeling may have to be pared downward from the $5,000 estimate to $500 for a new refrigerator, the appliance which needs replacement the most. The old car will be run one more year; and colleges will be carefully surveyed to find the most education for the money available. This is the way the members of the family must operate to remain solvent. This is the way towns and cities as members of the national family must operate to remain solvent; and there is no better way than by each community acquiring only that which its citizens are willing and able to pay for. Advocates of government spend-

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ing are not seeking solvency, however, for they believe that government spending, deficit financing, and inflation create prosperity. Thus, their "trick play" offers bankruptcy on a glittering golden platter.

• *It shortchanges the beneficiary.* It is a fact that no government can give until it has first taken away. The funds from which a federal aid project is paid come from private individuals and private companies all over the nation. Since nearly all communities are regularly succumbing to the deceptive "get our share" scheme, this means that each community – for all practical purposes – does pay for whatever it receives from the Washington "pool." The joker, however, lies in the fact that the funds shrink by an alarming amount as they are collected by the federal bureaucrats; and they shrink again as they are administered and disbursed back to the communities. It is uneconomical to have such a large percentage of the financial resources of the local communities sucked away by these Washington parasites.

And this is not the only way the beneficiary is shortchanged. The price tag for the community project is erroneously believed to be an amount equal to only the local taxes collected for the project, rather than a price equal to the total of the local taxes collected *plus the federal funds allocated.* The expressway through the city, which may appear to be a bargain for two million dollars of local funds, probably is a far cry from a bargain for the total cost of twenty million dollars. If the citizens of the community had discerned the correct price tag, they may have wished to decline in favor of local schools, improved street lighting, improved fire and police protection – as well as private investments in the expansions of local businesses, the latter being the vital seed corn for increased growth of true economic development, without which little taxes could be collected in the first place.

The beneficiary (the local community) is shortchanged in two ways – by having its coins clipped while en route to and from Washington, and by buying an item it would not have purchased had the full price tag been known.

• *It urges prompt action.* The "trick play" of federal aid not only brings down corruption and probable financial bankruptcy on free enterprise, but has the further element of the urgency to do it now. The funds are available now, the community leaders are urged, but may no longer be available

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next year. It is not unusual to hear one local politician accuse another of failure to look after the interest of his community for not "getting our share" of federal funds for the airport or the downtown redevelopment project. Unless we strive to improve our city (in this manner), we are told, the neighboring city will surpass us in growth — just another pressure to accelerate the whole scheme.

• *It centralizes control.* To control the operation of an automobile the driver has access to the steering wheel, the brake pedal, accelerator pedal, light switch, and other instruments controlling various operations. The lights are actually at the front and back ends of the car, but the driver controls them with a switch within arm's reach. The carburetor is next to the motor under the hood, but control is with a pedal easily reached by the driver's foot. All of this illustrates the ease of controlling the auto's operation at one central point by the driver — any driver for that matter who sits in the driver's seat. Grants-in-aid emanating from Washington have as a corollary the power to control. In the area of education, federal money will ultimately mean federal control — a tragic probability. But those advocates of federal aid to education assert there will be no exercise of control over education, conveniently forgetting that the control levers and switches will be in Washington nevertheless, ready to follow the bidding and command of the "driver" of the car — and the drivers can be easily changed. Do the headlights respond only to one particular driver, or do they respond to any driver who happens to be in the seat? Centralized control provides an easily accessible mechanism for the use of potentially tyrannous power.

• *It pays the interventionists' board and room.* Those who fight on the side of individual freedom and limited government often are restricted in both time and money which can be devoted to the cause. Not so with many interventionists, for the money derived from short-changing the tax funds en route to Washington and federal aid funds en route from Washington to a local beneficiary community is used to provide board, room, clothing, shelter, and entertainment for the boys who created and now operate this clever racket. It is difficult to visualize a more cunning bit of legalized sleight-of-hand than to take money from a person — give part of it back — and live on the rest. Ironically, those from whom the tax monies were taken must come to Wash-

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ington and beg for the return of a part of their own funds.

• *It breeds more intervention.* One of the most convincing arguments for the expansion of federal aid schemes is the recital of the thousands of projects requested by thousands of cities and towns throughout the country – from wealthy communities to relatively poor communities. They all need help, say the schemers. If each community had the character to pay for its own projects, and if no community would accept federal aid or grants of matching funds, the argument for aid would pale into insignificance. How could federal aid be needed if no one were to accept it? The variety of uses for which matching-fund grants are made gives the planners excellent arguments to continue and to expand their deceptive plans to control the lives of individual Americans and American communities. After all, they point out, large and small communities all over the nation find it necessary to seek federal aid as the only means to obtain their badly needed projects. Each community that succumbs to the temptation of a federal grant, unmistakably casts a resounding affirmative vote for more government intervention and control.

Unlike the football team's special trick play which must be used sparingly so as to retain the element of surprise, the trick play of federal grants-in-aid seems to work better the more it is used and the wider it is publicized. There can be but one reason – the trap is baited with thousand-dollar bills blinding otherwise solid champions of free enterprise to the fact that their acceptance of the bait means to sell their souls, and ours, to the godless philosophy of compulsory collectivism.

There you have a description of one of the most important key plays of the welfare state offense. It corrupts. It bankrupts. It undermines the confidence and faith of those who presumably believe in freedom. It keeps the planners in "board and room" by short-changing local communities. It centralizes control for easy application of tyrannical power and, lastly, breeds more of the same. The only element needed to complete the picture is the cooperation of the local communities – to stretch out their arms with upturned palms and "apply" for federal aid.

How one's own community will react to the bait temptingly held out by these slick masters of the art of deception, may well be the deciding factor in the outcome of the battle for freedom. ◆

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LAWRENCE SULLIVAN

LOST in the $HUFFLE

THE TAXPAYERS of the United States are beginning to grasp the fact that there is no such thing as *federal aid.*

The current annual budget tables disclose there is not one dollar of federal revenues received by our munificent Uncle Sam which is not paid into the Treasury ultimately by some individual taxpayer in one of the states.

Nowadays our federal Treasury shuffles roughly $7 billion every year in such funds – dispersed through some 60 different programs.

The "bureaucratic brokerage" presently involved in collecting all these funds, banking them in the Treasury, and then routing them back to the states, consumes about $325 million a year in wholly unnecessary administrative expenses.

Payments to each state under each program are itemized every year in the *Annual Report of the Secretary of the Treasury.*

It often happens that many states pay out more in dollar-matching funds than they get from the federal government in their aid programs. In New Jersey, for example, during the fiscal year 1955 it cost the state $2.36 for every $1 of federal aid received. In Connecticut it cost the state $2.13 for every $1 of federal aid. In Illinois it cost the state treasury $1.76 for every $1 of federal aid; and in Indiana, $1.71 for every $1 from Washington.

As long ago as 1950 Congressman Robert B. Chiperfield of Illinois pointed out that, over the years, Illinois got back in all forms of federal aid only about 3 per cent of the total federal taxes collected in that state each year.

One-third of our states contribute much more in federal revenues, per capita, than the national average. Under the school-aid program these states will pay much more into the national pool than they will get back in school subsidies.

Over the next three years, Pennsylvania, for example, would pay in $67,000,000 more than she would get back. ◆

Mr. Sullivan is Coordinator of Information of the U.S. House of Representatives.

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ABUNDANCE versus SCARCITY

HELEN BUGBEE

"AGRICULTURE is undergoing a technological revolution and it is irreversible," said former Secretary of Agriculture Ezra Taft Benson in one of his many efforts to make sense of the farm problem. Now, whatever else Americans may have thought of Mr. Benson, most of them knew him as a devotee of the free market, which encourages rather than reverses technological revolution. But Mr. Benson was speaking in the hearing of a world where somebody starves to death every six seconds. In such a world it is not safe to let anyone think that Americans want to reverse the technological revolution – the only hope there is of reducing the cost of food and everything else the world's people want to a level they can afford.

Yet, as one new administration follows another in Washington, the view persists that our abundance is the problem and that production should be curbed (while people starve). Instead of finding ways to distribute abundance, we try to hold it back. Is it any wonder, then, that many of the world's people are skeptical of the "free system" and are tempted by a system that promises to deliver "from each according to his ability, to each according to his need"?

We know, of course, that compulsory collectivism does not carry out that promise. So far, at least, it has no abundance to distribute. But in the eyes of the world's hungry people it gets "E" for effort – for promising and trying to create abundance, while we seem to be holding back production or raising prices out of the world's reach and then trying to win favor by giving part of the surplus away.

In the name of our free system, isn't it about time to use it – time

Miss Bugbee is a free-lance editor and writer specializing in employee communications.

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to accept the technological revolution as the blessing it is and be glad it's irreversible? The rest of the world is waiting for the sunrise, in which freedom from want can become a reality if we'll help the technological revolution along instead of trying to abort it!

We don't owe the rest of the world a living. They owe it to themselves. But the man or the country that does not know what to do with wealth, while surrounded by people who need it, is in deadly peril. If we can't make the technological revolution work for us and for others, we can expect another kind of revolution. We can't hope to preserve freedom by putting it away and not using it. As we face the challenge of a system that intends to "bury" us, we had best make full use of the technological advances that have kept us ahead so far. We only help to bury ourselves with such devices as "parity" for farmers and "productivity pay raises" for workers – which try to keep the benefits of increased productivity on the farms and in the factories for the few people who happen to be where the increases occur. Why not permit our abundance to spread as it should, by getting its price down?

Now, the men who produce that abundance have to earn a living, just as everyone else does. But one earns a living by trading one's work for the work of others. If one man is paid to keep his work off the market and another is given part of that work as "charity," neither has earned his living. Both are "kept."

When the rest of the world sees supposedly free men "protecting" themselves from freedom by such devices, it's no wonder some people look elsewhere for ways to distribute what our system has found ways to produce. Because we do not permit our system to operate freely, it fails to deliver much of what a truly free system might.

Special Interest Groups

A free system cannot be established by fiat, however, even in the "land of the free." Farmers are not the only producers who need convincing that competitive private enterprise is safe and profitable. Typesetters demand pay for setting "bogus" type to be melted down unused, painters expect good wages for painting with a small brush, and railroad workers expect a 1961 day's pay for traveling 100 miles. All these are trying to withhold the benefits of the free system from their customers, though they expect the benefits of freedom when they buy the work of others. Many Americans seem quite as fearful that real freedom would destroy their security as are

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people elsewhere. Yet our security in fact depends on our freedom. Unless we let it work, some "wave of the future" like Comrade Khrushchev's will one day engulf us. Even if we must re-establish freedom a little at a time, a little freedom can demonstrate such benefits that people will lose some of their fear and accept a little more freedom, and then a little more.

To Prove Our Way Is Best

It will not be simple to do even this. It is urgent, nevertheless. In today's cold war any effort to hold back production – whether by management, labor, farmers, or government – is a communist-supporting effort. We cannot make good our claim that our way of life is the answer to the world's problems while our soil, our machines, and our manpower are less than fully employed in meeting human needs. Every one of us – company president and ditch digger, typist and truck driver, teacher and farmer and plumber – has a part in proving it. Each of us is responsible for his own ability, and for making that ability count.

Each of us expects a fair return for his service, of course. A fair exchange, as the saying goes, is no robbery. But the converse also is true: An unfair exchange is robbery. To take money for unproduced or undelivered wheat, though no one gets the benefit of that wheat, is not a fair exchange. Money can be used to buy the products of others, and anyone who can take part of the total amount of goods and services from the market robs the rest of us if he does not also contribute something to the marketable supply.

He does not think of himself as a robber. In most instances he presumably believes that he is "protecting" his livelihood. But anyone who hopes to protect his livelihood by reducing the value he gives to the people who pay for his work had better think again. Few people are willing to pay for nothing. The rest expect value for value. When these refuse to buy, newspapers and books go unpublished; freight and passengers go by air instead of rail or don't go at all; houses wait to be built. The man who tries to protect his livelihood by keeping the benefits of increased productivity from possible buyers in fact destroys his livelihood. Whether he produces wheat for a government warehouse and takes pay for it or produces cars for driving off some Detroit bridge and takes pay for that, he reduces the number of people who can pay each other more and more for less and less. Unemployment is the inevitable result.

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Only if the benefits of increased productivity are allowed to spread, through prices that fall as well as rise freely so demand and supply can balance, can there be prosperity for growing numbers of producers and growing numbers of consumers. When that happens, the men who find ways to produce abundance and the men who find ways to distribute it cheaply will be rewarded as Henry Ford and F. W. Woolworth were – because the rest of the world will find them worth rewarding.

The Courage To Practice Freedom

There is no safety in the world today unless free Americans are willing to prove that their work is worth rewarding. We have only a little time to prove that our system can serve the world's needs better than any other system can. If we can't prove it, we can expect the world's scorn, not its gratitude, for our "charity."

We can prove it with freedom if we have the courage to try it. But we can't prove it by freeing just the other man's work or prices while restricting our own. We can't ask the auto worker, for instance, to reduce the price he gets for a unit of his output while the farmer insists on "parity" – or vice versa. Farmers, auto workers, and everyone else must let their price per unit drop as their output increases, so a growing number of customers can come into the market for that output.

There is no safety in devices that try to make the sun stand still or technological revolutions reverse themselves. There is safety only in daring to face all the implications in these lines from *Gulliver's Travels:*

> Whoever could make two ears of corn, or two blades of grass, to grow upon a spot of ground where only one grew before, would deserve better of mankind, and do more essential service to his country, than the whole race of politicians put together.

Those lines do not apply to ears of corn or blades of grass grown for storage while people starve. We shall deserve well of mankind only if we can find ways to help others exchange their products for the two ears of corn and blades of grass we grow where one grew before.

The world is waiting for low-priced abundance, and we shall deserve well of the world if we deliver it. We shall deserve the worst, however – and sooner or later we'll get it – if we propose to save the world with high-priced scarcity.

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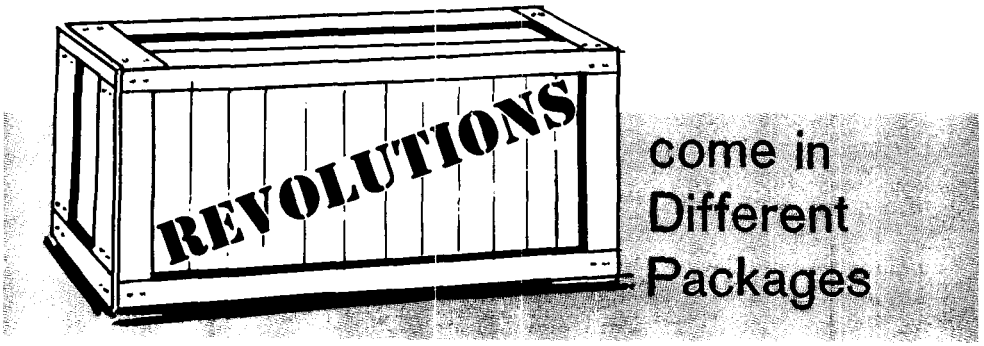

WILLIAM HENRY CHAMBERLIN

IT HAS BECOME a hackneyed cliché to claim kinship with the American Revolution for every tumult, riot, or disturbance that may take place anywhere in the world. Some of our statesmen, more inclined to play at demagogy than to think straightforwardly in terms of history and our national tradition, profess to see a close parallel between the American patriots of 1776 and the savage tribesmen of the Congo and Angola.

An arresting contrast ought to make the cheap fallacy of this kind of thinking clear. Near the Cambridge Common a plaque marks the spot where some of the minutemen of the American Revolution gathered on June 17, 1775. After prayer by President Langdon, so the plaque informs us, the men marched off to Bunker Hill. Compare this simple picture of Puritan colonists, ready to fight consciously for a noble cause, prepared to vindicate their rights as free men, with some of the news dispatches that have been coming in from Africa recently.

In Kivu Province in the Congo, tribesmen in leopard skins have been going on a rampage of anti-white frenzy, bent not only on killing any foreigners who may fall into their hands, but on eating their hearts and other vital organs, in the superstitious belief that this will give them added strength. Or take the news from Angola, where incursions from the Congo have led to the mas-

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sacre of Portuguese men, women, and children in border areas, with all the accompanying horror of Indian raids in the early colonial period of America.

Is there anything in common between the civilized colonists and the rampaging African savages? Are the bloody deeds in the remote frontier areas of the Congo and Angola likely to lead to documents comparable with the United States Declaration of Independence and the United States Constitution? The answer to both questions, if given with elementary honesty, is a resounding No. And this especially vivid contrast should lead to some hard, basic rethinking of the soft-headed assumptions that all revolutions come in the same package, that revolution is a kind of patent medicine, warranted to cure any ailment in the body politic.

Especially in the twentieth century, it is crystal clear that some revolutions work great and permanent evil, as others, including the American, have wrought much good. A number of factors must be taken into account in determining whether a revolution deserves a positive or a negative rating, or should be judged a mixed bag, with both good and evil to its account. Among these are the circumstances of the revolution, the seriousness of the abuses against which it is directed, the fitness of the people involved for orderly self-government, above all, perhaps, the principles espoused by its leaders.

By the Guillotine

One of the first great revolutions that followed the American was the French. French help to the American colonists was fresh in the American memory. The first developments in the French Revolution, the abolition of feudal privileges, the substitution of representative government for the absolute power of the king, were warmly greeted in the young American Republic.

But when the French Revolution fell under the domination of doctrinaire fanatics, when the guillotine began to run red with the blood not only of royalists and conservatives, but of some of the most famous and devoted of the original revolutionaries, when a utopian dream, as so often happens, became a nightmare of terrorism, American public opinion shifted very sharply. There was no desire to claim American inspiration and sponsorship for a movement that had gone along lines so completely remote from the peaceful, orderly development of self-governing institutions in the United States.

The word Jacobin became as

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odious in America as the word Communist is today. And for very good reason. For both Jacobins and Communists have been committed to the dangerous creed that the end justifies the means, that the virtuous minority has the right to coerce the majority, for its own good, supposedly, that disagreement with the virtuous elite is counterrevolution, for which the only suitable penalty is death. John Adams, perhaps the most powerful political mind among the Founding Fathers, pointed out the difference between benign theory and terrorist practice in the French Revolution in his typical tart New England style:

"Helvetius and Rousseau preached to the French nation *liberty*, till they made them the most mechanical slaves; *equality*, until they destroyed all equity; *humanity*, until they became weasels and animal panthers; and *fraternity*, till they cut one another's throats like Roman gladiators."

American Reactions

In a letter to the well-known surgeon, Benjamin Rush, Adams described his difference of opinion with Thomas Jefferson about the prospect of the French Revolution:

"He thought it wise and good, and that it would end in the establishment of a free republic. I saw through it, to the end of it, before it broke out, and was sure it could end only in a restoration of the Bourbons, or a military despotism, after deluging France and Europe in blood."

And Jefferson himself, who had hoped to the last for a favorable outcome of the French experiment, made the important admission in a letter to John Adams of October 28, 1813, that differing economic and social circumstances made a degree of free self-government in America possible which would have led to anarchy, mob rule and, finally, a return to despotism in France or in many other continental European countries.

"Here," wrote Jefferson, "everyone may have land to labor for himself if he chooses; or, preferring the exercise of any other industry, may exact for it such compensation as not only to afford a comfortable subsistence, but wherewith to provide for a cessation from labor in old age. Everyone, by his property, or by his satisfactory situation, is interested in the support of law and order. And such men may safely and advantageously reserve to themselves a wholesome control over their public affairs, and a degree of freedom, which, in the hands of the *canaille* of the cities of Europe, would be instantly per-

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verted to the demolition and destruction of everything, public and private."

Poor Imitations

Here is recognition, by one of the most generous and reckless generalizers among the makers of the American Revolution, that there is no universal validity for constitutional principles or for political institutions. What may work satisfactorily in one country, under a given set of conditions, could lead to disaster and a breakdown of civilization in another country, under different social, economic, and educational conditions.

This principle has been confirmed repeatedly since the American Republic was launched in 1776. Many peoples have set up independent republics, with constitutions that read admirably on paper. But very often these constitutions have remained scraps of paper in practice. A set of fundamental laws is no stronger than the people who live under them. It is national character that makes a constitution work well or badly, not a constitution that remakes national character.

The experience of revolutionary France, an initial phase of reasonable, moderate reform giving way to a grim period of extremist dictatorship, was repeated on a bigger and more terrible scale in Russia in 1917. Again there was a certain ambivalence in the American attitude. Czarist rule, with its absolutism, its repressions and discriminations, its arrests without trial and banishment to Siberia for "dangerous thinkers," had been naturally alien and distasteful to most Americans. So the news that the Czar had been deposed and replaced by a democratic Provisional Government in March 1917, was greeted with satisfaction by American public opinion.

But it soon became clear that the liberals and relatively moderate revolutionaries who took over were unable to check the sweep toward class war and violent social revolution, of a type quite alien to American experience and ideals. The system of communist rule, with its political dictatorship and economic collectivism, has developed into a challenge alike to America's national security and to its moral values. Here was surely an impressive example that revolution is not in itself intrinsically desirable.

Checks and Balances

Perhaps the most remarkable and distinctive feature of the American Constitution was the many restraints which its framers imposed on those who would exercise power. Not only were many

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specific rights assured to the individual, guaranteed against infringement by the Executive or by Congress, but the establishment of three coequal branches of administration was designed as a means of avoiding excessive concentration of power in any one of them. The French Revolution started with Rousseau's sentimental notion of the natural goodness of man – and ended with the guillotine and a succession of shifts of power, leading up to the rule of Napoleon.

The theory of the American Revolution, as stated by John Adams, was that fallible man simply could not be safely trusted not to abuse power. As the best safeguard against this tendency an elaborate system of checks and balances was created. This served the American people well until the plain intent of the Founding Fathers to create a society where the government promised the individual nothing but freedom from state oppression and intervention was distorted and eroded by a forced construction of the "general welfare" clause.

The historical philosopher, Arnold Toynbee, in a recent statement credited the famous "shot heard round the world" with touching off many other revolutions, in France, Russia, and China, and then offered this reproach to contemporary America:

"America has lost the leadership of her own revolution. Once you start a revolution, you can't stop it. You go along with it, or it runs away with you."

Revolution in China

With all respect for Mr. Toynbee's erudition and imagination, it seems unreasonable and unfair to saddle the United States with responsibility for revolutions which have been as different as possible from the American model. The influence of United States missionaries, diplomats, teachers, travelers, may be plausibly credited with helping to shape some of the progressive, westernizing changes which occurred in China during the first decades of this century.

The mere existence of western-style colleges with foreign teachers opened up to the Chinese students attitudes and vistas of thought that were alien to and ultimately destructive of the long-established Confucian traditions of the country. This effect was further enhanced when Chinese students began to attend leading universities in America and Europe. The effect of this process on the overthrow of the decadent Chinese empire and the rise of the Kuomintang, the nationalist party which dominated Chinese political life until the communist take-over

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in the late forties, was very considerable, especially as the educated elite counted for more in China than in countries with higher standards of general education and literacy.

The Winds of Change

But, if one excepts a few communist agents and a larger number of communist dupes, how can the United States be charged with responsibility for the victory of communism in China? A substantial number of Chinese leaders in the nationalist regime on Formosa are American-educated; the Chinese communist leaders, insofar as they have any foreign training, are likely to be alumni of Moscow.

It also seems both inaccurate and unwise for the United States to try to identify itself with what is sometimes loosely called the anticolonial revolution in Asia and Africa. It is certainly true that overseas imperialism is on the way out. It has almost entirely disappeared in Asia, and what British Prime Minister Macmillan called "the winds of change" are blowing strongly in Africa. It is almost inconceivable that foreign imperial rule, once it has fallen, could be restored. Unfortunately, there has been no parallel disintegration of the Soviet imperialism in various countries of eastern Europe.

But it is one thing to recognize a development, another to commit America's political and moral prestige to supporting changes which are all too often for the worse. Take the Congo, for example. Forget for the moment the outrages and brutalities to which Belgians and other whites have been subjected. Consider only the position of the African majority of the population. Can any reasonable person doubt that the prospects of the average Congolese for life, liberty, and pursuit of happiness were far better under the mild Belgian administration (long purged of the abuses of early colonial days) than under the anarchical chaos, with famine, disease, and savage tribal feuds rampant, that set in after the withdrawal of Belgian rule?

It would seem to be both stupid and immoral for the United States, through the actions and words of official representatives, to assume the risks of producing another Congo, whether in Angola, in Rhodesia, in Kenya, or in South Africa. It is high time to discard the superficial fallacy that because America owes its national existence to a revolution all revolutions are necessarily beneficial and deserving of American sympathy. This fallacy is especially inexcusable at the present time.

A revolution deliberately planned

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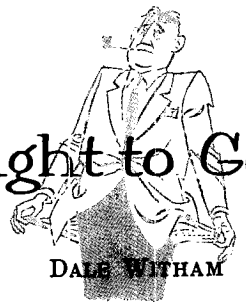
and led by Communists can be a sentence of slavery of indefinite duration for the people concerned. Where there has been no effective preparation in terms of education and training, what passes for a liberating revolution can easily degenerate into bloody chaos, most probably ending in a harsh dictatorial rule much more tyrannical than the administration which has been overthrown.

The Belgian statesman, Paul Henri Spaak, recently called the UN Assembly, and not without reason, a temple of hypocrisy. It is a false and ridiculous assumption that the late Patrice Lumumba was an African George Washington. ◆



The Right to Go Broke

DALE WITHAM

YOU HAVE probably known someone who has lost his shirt – flopped, dropped, or failed in business. If so, you have seen demonstrated one of the most important and significant aspects of our free enterprise system. A business going broke is not a unique occurrence in this country. In 1958 there were almost 15,000 reported commercial and industrial failures in the U.S. Is this bad? Not by a long sight!

When a business fails, it means that the American people have exercised their rights under the free enterprise system to reject a product for their own free reasons.

At first look we might have a tendency to think that failure, all failure, is undesirable. A little further thought along this line, however, will show that the principle of failure in business is a right that we should guard jealously. Experience has shown that where government has attempted to legislate against failure, such as in farming, billions of dollars

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Mr. Witham is editor of *Clark News*, bimonthly publication of the Clark Equipment Company of Buchanan, Michigan, in the January-February, 1961, issue of which this article first appeared.

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have been poured in and the problem is just about as bad today as it was when the legislation was first introduced. Nothing can replace the customer's right to reject an inferior product. This business "survival of the fittest" is the ingredient that has put us head and shoulders above the rest of the world, and it is this same maxim properly applied that will keep us in that position.

Of course, failure is not always fatal to a business. Failure of a product can be just the shot in the arm that a business needs to get back on the ball. To make us work and try a little harder the next time is the lesson learned by the smart operator in this instance. We should keep in mind that no amount of finagling or legislation will make a success of a poor product as long as the consumer gets a free choice. Where the consumer doesn't get a free choice he has no recourse but to take what is offered at a regulated price. As a result, commerce speeds up to a snail's pace. Even the Russians are learning that the only way to speed up their consumer market is to offer an ever-increasing choice. Not only is guaranteed business bad for a nation's economy but there is very little personal reward. We have found that good wages are important but of equal importance is the feeling that men achieve in doing a superior job.

What are some of the more important reasons businesses go broke? Poor service, faulty assembly, poor materials, high costs, and lack of sufficient operating capital are each enough to allow a business to exercise its right to go broke. These are the things, along with excessive government regulation, that we have warned the world against. At this point it would be ridiculous for the teacher to forget his own lessons and just sit back at the oars while the rest of the world goes by. We should always keep in mind that this right can and will be invoked against any plant or business that slips into an unhealthy condition. When any of these unhealthy conditions plague a business, nothing is sacred, no organization immune, regardless of location, size, or intention.

Even though it has been pointed out that the right to go broke is a valuable thing, it's not so good when it happens to us. Further, it can be particularly bad when the general economy is such that a work force, having failed, cannot be readily absorbed into successful operations in the same area. The most important thing that each of us must remember is that this is a free choice. If we want to go broke we can, but it's much nicer to be a success.

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When BUSINESSMEN Behave LIKE BLUE EAGLES

LEONARD E. READ

SUPPORTERS of the welfare and interventionist state — socialists — believe they gain a point with each disclosure of cartel-like behavior in private endeavor; and so much the better if the malefactors are associated with a large corporation, resulting in national publicity. This is poppycock.

In the face of anti-free enterprise publicity, many supporters of private endeavor cry out, "We have been given a black eye." This, also, is poppycock.

Government control of the means of production and *private* control of the means of production are no more than opposed *forms* of organization. To indict either form because of individual malfeasance is as absurd as to indict cookery because some bum burned the stew.

Among private endeavorers are to be found pirates, house thieves, embezzlers, stock swindlers, card sharks, bank robbers, kidnappers, hijackers, racketeers of every description. Among governmental entries into production and exchange are to be found all the types of political graft there are. They are legion!

Human beings are fallible by nature. All of us err, some more than others. All of us — the less errant as well as the more errant — are in either private or governmental endeavor. Neither *form* of organization has any monopoly of either saints or criminals. All kinds of humanity are to be found in each. We need not be surprised

* For those too young to recall, "The Blue Eagle" was the emblem of the National Recovery Administration (NRA), one of the first alphabetical agencies. It administered NIRA, the National Industrial Recovery Act, a price-fixing, production control law, hailed, with but few exceptions, by businessmen, labor unions, and politicians as a panacea for all the ups-and-downs in economic life. It was brought to an inglorious but much-deserved end by a decision of the U.S. Supreme Court, May 27, 1935.

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to find a price-fixer in private endeavor or a grafter in governmental endeavor. That's just the weakness of humanity showing off for what it is, wherever it is.

What we should be concerned about is this: Acknowledging the fact of man's fallibility, how can we best organize ourselves? How can we minimize the effects of individual error? How shall we keep the monopolists and grafters at bay? These are relevant questions.

If men were infallible, there would be no need for government. But they are fallible and there *is* a need for government, that is, a formal, legal, defensive agency of society.

The Essence of Government — Organized Police Force

However, it is useless to discuss the *forms* of ideal societal organization unless we have a keen awareness of what government really is. Essentially, government is organized police force. This is its distinctive characteristic. The difference between an individual as an agent of government and that same individual as a private citizen is this: As an agent of government he has the police force to back his ultimatums. He speaks, and we obey! Remove the police force and he is restored to private citizenship. He speaks, and we do as we please!

Bearing in mind that the distinctive characteristic of government is organized force, we must now ask ourselves: What can organized force accomplish? The answer is simple: Organized force can inhibit, penalize, restrain, destroy. It is utterly incapable of doing anything else.

The next relevant question is: What, in good conscience, ought to be inhibited, penalized, restrained, destroyed? Again, the answer appears to be simple: All violence, fraud, misrepresentation, predation — in short, those behaviors which infringe on the rights of others and which most of the world's moral and ethical codes define as evil. Government's limitation, it will be observed, should be prescribed in the reasons for its existence.

Logic and common sense would seem to suggest that organized force — government — be limited to minimizing the destructive actions of errant man, leaving all productive and creative activities to private endeavor — that is, to free, voluntary, cooperative, competitive action. Let society's agency of organized force hold marauding and plundering to the minimum, and let us go!

Not to observe government's principled limitation, not to confine this agency to the competence of police power, is to invite — in-

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deed, it is to insure – social troubles on the grand scale. Why?

Those in government service resemble, by and large, the mill run of us – about as many crooks and weak characters per thousand as will be found in any cross section of the population. Limited to the policing function, some of them can be expected to indulge in petty graft, the price we pay for human fallibility. On the whole, however, they will abide by the codes and protect society against marauders and predators. So far as form of organization is concerned, this is about as good as we can hope to do. Any other improvement must rest on our becoming less fallible.

Government Run Riot

Now, alter this ideal *form* of organization. Allow these fallible individuals in government – possessing a monopoly of the police power – to manage and control the productive activities which, in good theory, it is only their job to protect. Let them take over welfare, security, and prosperity with coercive force. In short, turn these police-powered, fallible people loose in the productive vineyards of society where their "success" can be assured not by creative competency and willing exchange but by the application of police power and unwilling exchange. Do these things – we are doing them – and witness the fall of American society.

Lust for money is a weak incentive when compared to the lust for power. But combine them and allow for their satisfaction by the simple expedient of extending a right to take property by force to those who have been charged with protecting property, and our protectors will turn to predators. Put this matter another way: Give police power to petty grafters and their evil will be multiplied a thousandfold. Legalize their evil, which is to say, absolve them from any penalty for taking property without consent, and the stage is set for a Hitler, a Stalin, a Castro.

Lust for power, with police power added, can never be trusted in lush vineyards. This combination knows no satiety. It will take unto itself everything within the reach of its force – eventually, the fruits of the labor of all.

But there's more than this, much more. Once those who have been given the police power for the purpose of protecting us find a way to use that power to advance their own power, they will become less and less attentive to the defensive or protective function. Their obsession for more and more personal power more or less assures this. As these people come to think of themselves as our General Managers (one first lady in-

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advertently referred to herself and household as "your rulers"), for which they have no competency whatsoever, they will no longer think of themselves as society's servants.

In short, when the way is opened to the satisfaction of their lust for power, that's where their eye will be, not on the grubby job of inhibiting marauders and predators. By permitting the intervention of government into the productive and creative areas, we remove the possibility of our agents in government ever doing effectively what, in good theory, our agents in government are supposed to do. No human being can aim at political authoritarianism and remain a good civil servant.

The Law Perverted

It is not necessary to detail the enormous evidence to support the fact that individuals bent on becoming our "rulers" are poor material for serving as our protectors. A few samples will suffice.

Observe government's inattention to labor union violence. Most individuals will not punish themselves for their own errors. Nor will government restrict excesses of its own power—labor union power, such as compulsory membership in unions, being but an extension of excessive government power. Labor unions are a part of the political interventionist apparatus. They are a branch of today's government, which is to say, labor unions, also, have become our rulers.

Merely reflect on how this overextended power, showing forth as labor union rulership, brought the world's largest industry (steel) to a 116-day standstill. Could this kind of government protect society against such economic depredations? It did not and could not! It corrected and protected nothing. It simply "settled" the strike.

Consider how helpless and incompetent was our interventionist government against a few tugboat workers who were able to stop the railroads from serving the world's largest commercial city. Or, how helpless and incompetent was this same government in coping with a few political engineers who were able to make groundlings out of half the world's aircraft!

That people in government bent on achieving power for themselves cannot serve as our protectors is evident enough. They have no competency for keeping the price-fixers, the marauders, the predators at bay. Indeed, it would be easy to demonstrate that people in government with their eye on political power, bring out, stimulate, encourage, and attract the weaknesses in society.

Now to the cases currently in

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the news. No sound economist will condone price-fixing, be it legal or illegal. Nor will any person with moral scruples approve of rigging prices and dividing the market under the representation of competitive bidding. This is sheer dishonesty! It is the kind of misrepresentation that government should be expected to eliminate or, at least, to minimize. But, as suggested above, persons bent on becoming our masters cannot competently perform as servants; they are grossly inefficient at eliminating misrepresentation, fraud, violence.

Conceding that price-fixing is illicit, uneconomic, and immoral business, the current cases, about which so much is being made, are "peanuts" when compared to the crimes committed by government — a crippling strike, for instance. Or, what would be said of a private insurance firm that spends the premiums it collects and then must collect again to pay the benefits? Or a firm with a $3-5 hundred-billion accrued liability with no assets beyond its power to invoice and collect? Yet, the government which does this sort of thing raises its voice to high heaven against relatively petty matters as if to take the public's eye off its own inability to cope with such matters in the first place, as if looking for scapegoats!

If businessmen had to rely on governmental example for what's right and what's wrong, they could find a precedent for any practice. Only a few years ago, during NIRA days, following inauguration of the general manager or ruler type of government, *it was illegal for businessmen not to get together and fix prices below which they could not sell.* Today, businessmen are put in jail for doing something that previously they would have been put in jail for not doing! Later on, during OPA days, it is true, they would have been put in jail for selling at prices *above* that fixed by government.

Governmental capriciousness is the characteristic of political authoritarianism. The publicity attending the price-fixing cases will be enormous. All the writers and talkers who favor the general manager form of government will be vilifying private enterprise, a *form* of organization, while beating the drums in favor of their *form* of organization. The important thing during all this din is not to let it distract us. Let not the few who erred by following government precept be a reason for selling us out to such preceptors. Rather, let this be the occasion for getting our own thinking straight as to the extremely limited but very important usefulness of organized police force. ◆

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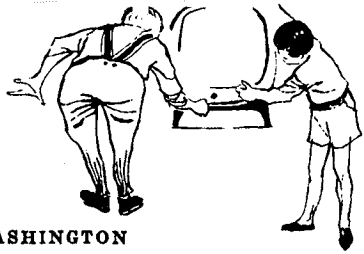
PREFABRICATED ADVICE



or — POLITICAL ECONOMY IN WASHINGTON

It was a balmy night in spring
At storytelling time.
Old Kaspar chewed a dead cigar
And wished for rum-and-lime,
While Peterkin and Wilhelmine
Looked at the television screen.

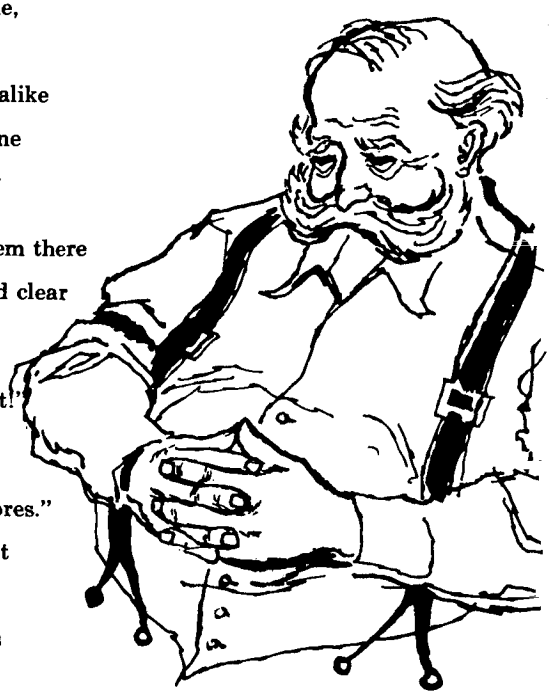
They saw some men, all dressed alike
In cap and gown and hood,
Go through a door and walk in line
To where another stood.
Then doffing caps and bowing low
They all stood waiting in a row.

And while the man who faced them there
Put questions rapidly,
They gave their answers loud and clear
With practiced brevity;
And never once by word or tone
Was doubt or hesitation shown.

"Now tell us what 'twas all about!"
Cried little Peterkin.
"It was a *Consultation,* Pete,"
Said Kaspar with a grin,
"On why the cost of living soars
While gold escapes to foreign shores."

"The men you saw know all about
Such economic things
As how we pay for what we sell
And why a job has wings;
And they can cure the gravest ills
With poultices of dollar bills."

"Such learned men," cried Wilhelmine,
"Are worth their weight in gold!"
"We hope they are," Old Kaspar sighed,
"Though many people hold
That their advice will cost us more
Than wars and termites heretofore."



H. P. B. JENKINS
Economist, Fayetteville, Arkansas

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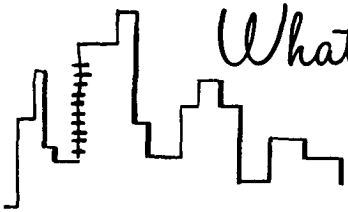

What Rent Control Does

It leads to demands for government housing, and "urban renewal," among other things.

HENRY HAZLITT

GOVERNMENT CONTROL of the rents of houses and apartments is a special form of price control. Its consequences are substantially the same as those of government price control in general.

Rent control is initially imposed on the argument that the supply of housing is not "elastic" — i.e., that a housing shortage cannot be immediately made up, no matter how high rents are allowed to rise. Therefore, it is contended, the government, by forbidding increases in rents, protects tenants from extortion and exploitation without doing any real harm to landlords and without discouraging new construction.

This argument is defective even on the assumption that the rent control will not long remain in effect. It overlooks an immediate consequence. If landlords are allowed to raise rents to reflect a monetary inflation and the true conditions of supply and demand, individual tenants will economize by taking less space. This will allow others to share the accommodations that are in short supply. The same amount of housing will shelter more people, until the shortage is relieved.

Rent control, however, encourages wasteful use of space. It discriminates in favor of those who already occupy houses or apartments in a particular city or region at the expense of those who find themselves on the outside. Permitting rents to rise to the free market level allows all tenants or would-be tenants equal opportunity to bid for space. Under conditions of monetary inflation or real housing shortage, rents would rise just as surely if land-

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Mr. Hazlitt is the well-known economist, author, lecturer, and regular contributor to *Newsweek*. This article was prepared as a chapter to be added in a forthcoming Italian translation of his 1946 classic, *Economics in One Lesson*.

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lords were not allowed to set an asking price, but were allowed merely to accept the highest competitive bid of tenants.

One Control Leads to Others

The effects of rent control become worse the longer the rent control continues. New housing is not built because there is no incentive to build it. With the increase in building costs (commonly as a result of inflation), the old level of rents will not yield a profit. If, as commonly happens, the government finally recognizes this and exempts *new* housing from rent control, there is still not an incentive to as much new building as if older buildings were also free of rent control. Depending on the extent of money depreciation since old rents were legally frozen, rents for new housing might be ten or twenty times as high as rent in equivalent space in the old. (This happened in France, for example.) Under such conditions existing tenants in old buildings are indisposed to move, no matter how much their family grows or their existing accommodations deteriorate.

Because of low fixed rents in old buildings, the tenants already in them, and legally protected against rent increases, are encouraged to use space wastefully, whether or not the size of their individual family unit has shrunk. This concentrates the immediate pressure of new demand on the relatively few new buildings. It tends to force rents in them, at the beginning, to a higher level than they would have reached in a wholly free market.

Nevertheless, this will not correspondingly encourage the construction of new housing. Builders or owners of pre-existing apartment houses, finding themselves with restricted profits or perhaps even losses on their old apartments, will have little or no capital to put into new construction. In addition, they, or those with capital from other sources, may fear that the government may at any time find an excuse for imposing new rent controls on the new buildings.

The housing situation will deteriorate in other ways. Most importantly, unless the appropriate rent increases are allowed, landlords will not trouble to remodel apartments or make other improvements in them. In fact, where rent control is particularly unrealistic or oppressive, landlords will not even keep rented houses or apartments in tolerable repair. Not only will they have no economic incentive to do so; they may not even have the funds. The rent-control laws, among their other effects, create ill feeling between landlords

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who are forced to take minimum returns or even losses, and tenants who resent the landlord's failure to make adequate repairs.

"Let Them Eat Cake"

A common next step of legislatures, acting under merely political pressures or confused economic ideas, is to take rent controls off "luxury" apartments while keeping them on low-grade or middle-grade apartments. The argument is that the rich tenants can afford to pay higher rents, but the poor cannot.

The long-run effect of this discriminatory device, however, is the exact opposite of what its advocates contend. The builders and owners of luxury apartments are encouraged and rewarded; the builders and owners of low-rent housing are discouraged and penalized. The former are free to make as big a profit as the conditions of supply and demand warrant; the latter are left with no incentive (or even capital) to build more low-rent housing.

The result is an encouragement to the repair and remodeling of luxury apartments, and a boom in new building of such apartments. The effect is not only to provide better accommodations for comparatively wealthy tenants, but eventually to bring down the rents they pay by increasing the supply of luxury apartments available. But there is no incentive to build new low-income housing, or even to keep existing low-income housing in good repair. The accommodations for the low-income groups, therefore, will deteriorate in quality, and there will be no increase in quantity. Where the population is increasing, the deterioration and shortage in low-income housing will grow worse and worse.

When these consequences are so clear that they become glaring, there is of course no acknowledgment on the part of the advocates of rent control and the welfare statists that they have blundered. Instead, they denounce the capitalist system. They contend that private enterprise has "failed" again; that "private enterprise cannot do the job." Therefore, they will argue, the State must step in and itself build low-rent housing.

This has been the almost universal result in every country that was involved in World War II or imposed rent control in an effort to offset monetary inflation.

Favoritism and Pressure Groups

So the government launches on a gigantic housing program – at the taxpayers' expense. The houses are rented at a rate that does not pay back costs of construction or operation. A typical arrangement

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is for the government to pay annual subsidies, either directly to the tenants or to the builders or managers of the state housing. Whatever the nominal arrangement, the tenants in these buildings are being subsidized by the rest of the population. They are having part of their rent paid for them. They are being selected for favored treatment. The political possibilities of this favoritism are too clear to need stressing. A pressure group is built up, which believes that the taxpayers owe it these subsidies as a matter of right. Another all but irreversible step is taken toward the total Welfare State.

A Vicious Circle

A final irony of rent control is that the more unrealistic, Draconian, and unjust it is, the more fervid the political arguments for its continuance. If the legally fixed rents are on the average 95 per cent as high as free market rents would be, and only minor injustice is being done to landlords, there is no strong political objection to taking off rent controls, because tenants will only have to pay increases averaging about 5 per cent. But if the inflation of the currency has been so great, or the rent control laws so harsh and unrealistic, that legally-fixed rents are only 10 per cent of what free market rents would be, and gross injustice is being done to owners and landlords, a huge outcry will be raised about the dreadful evils of removing rent controls and forcing tenants to pay an economic rent. Even the opponents of rent control are then disposed to concede that the removal of rent controls must be a very cautious, gradual, and prolonged process. Few of the opponents of rent control, indeed, have the political courage and economic insight under such conditions to ask even for this gradual de-control. The more unrealistic and unjust the rent control is, the harder it is to get rid of it.

The pressure for rent control, in brief, comes from those who consider only its supposed short-run benefits to one group in the population. When we consider its effects on *all* groups, and especially when we consider its effects *in the long-run*, we recognize that rent control is not only increasingly futile, but increasingly harmful the more severe it is, and the longer it remains in effect.

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PRICE AND E

BENEDICTO PADILLA

In the March 1961 **Freeman** Doctor Ludwig von Mises described editor Volkmar Muthesius of West Germany as one of the "foreign spokesmen for freedom." Another such spokesman is Mr. Padilla, President of the Free Enterprise Society of the Philippines and Representative in the Philippine Congress for the First District, Rizal.

The following article is slightly condensed from a presentation before the Congress on January 28, 1958, when he stood alone for repeal of price and exchange controls. On March 6, 1961, his was the pleasure of standing again to thank the Congress and President Garcia for having acted to remove price and exchange controls — a heartening reminder to all of us of what one person can do in the personal practice of freedom.

GOVERNMENT CONTROL of prices and of foreign exchange rates originates in the policy and practice of deficit spending, which has become the fashionable modern system of government financing in many countries, including our own. Deficit spending is an integral part of the "new" economics which the late Lord John Maynard Keynes spelled out in 1935 in *The General Theory of Employment, Interest, and Money.*

When government spends in excess of current revenue, the deficit is financed either by borrowing from the citizens or by printing paper money. Borrowing from the citizens to meet an emergency need not be inflationary if the emergency ends and the borrowed funds are restored to the lenders. However, if one emergency drags into the next and the budget remains unbalanced, citizens will lose faith in the government's ability to repay debts.

There are many irresponsible politicians, and irresponsible economists as well, whose obsession is to spend more and more, un-

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mindful of consequences. On the pretext of never-ending emergency, they have no scruples about keeping the budget unbalanced indefinitely. This is tantamount to placing the nation's economy in a state of perpetual crisis. The consequences of such a policy are disastrous. When public confidence in the credit of the government is shaken, the citizens will naturally refuse to further lend their savings to the government. And if the government is not willing to decrease the expenditures or to increase the taxes so as to balance the budget, the only recourse left for such a government is to print paper money with which to "pay" its obligations. This type of deficit spending is inflationary in character, and will lead any nation to economic breakdown.

As a result of the flood of money from the printing press, business for a time is brisk; merchants make good profits; everyone has plenty of cash to spend. People, in general, seem happy basking in the artificial sunshine of a prosperity engendered by the inflation. This period is often described as the inflationary boom.

The inflationary boom, however, is short-lived. As a result of inflation the prices of commodities rise. The greater the inflation, the lower falls the purchasing power of the currency. Internally, the peso buys fewer goods and services; externally, it buys fewer dollars or other currencies than before.

As a result of inflation, prices of commodities rise rapidly. In terms of its purchasing power, the peso drops in value, or depreciates. Rising prices mean also, of course, a rising cost of living. People would not mind a mounting cost of living if their incomes increased proportionately. But such is not the case, for laborers and employees do not get automatic increases in wages and salary in direct proportion to the increased cost of living.

As the wheel of inflation rolls on, housewives can no longer bring home the same quantities of food and clothing that they for-

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merly bought with their husbands' earnings. People suffer, especially the poor who can no longer make both ends meet. A vivid index of the social injustice brought about by inflation is the daily occurrence of holdups, thefts, and robberies. Men in rags may be seen scanning the garbage receptacles for food. At this stage, the government may begin to realize its error in tampering with the nation's currency. The wheel of inflation, however, has already moved so fast and so far that the government seems impotent to stop it, much less roll it back. Under such circumstances, the government resorts invariably to the expediency of imposing price control.

An Excess of Paper Money

Inflation is due to an excess of paper money. Only the government can issue paper money; therefore, the government is solely responsible for the abnormal rise of prices. This exclusive responsibility of the government is not apparent, however, to the average citizen. Even an intelligent person can easily be misled about the implications of price control because the attempts at control give the impression that the government is averse to or condemns the rise of prices and tries to stop it by such controls. The impression given is that somebody else – not the government – is responsible for the abnormal rise of prices.

In furtherance of this policy of disowning responsibility for the abnormal rise of prices, the government usually places the blame upon a specific class of society, selected as target. The target is generally the merchants, especially the retailers who deal directly with the public. These merchants are depicted by the government as men without conscience, whose main concern is to make profits at the expense of their fellow citizens. They are stigmatized as "profiteers."

Are they really profiteers? Taking into account that it is the inflation which causes the general increase of the level of prices of all commodities, it follows that in a period of rising prices by inflation, all merchants make paper profits whether they desire this or not. In fact, not only merchants, but all citizens become "richer" if their wealth is measured in terms of the depreciating currency.

For instance, a man before the war had no assets except the lot and the house in which he lived, then worth, let us say, 20,000 pesos. But due to the inflation, its market value now is 100,000 pesos. Assuming that he has acquired no other property, this man, by the so-called inventory process,

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has become richer in the amount of 80,000 pesos, so that in case he sells his house and lot he would incur an income tax liability on the 80,000 pesos profit he is supposed to have made. It is plain that after paying the tax this man is poorer than before.

This example suffices to illustrate one of the unjust and absurd effects of inflation. Obviously, such men whom the government artificially made "rich," but who actually are the poorer, are not profiteers. In any case, if there is any "profiteering" at all, whether in real estate or prime commodities, this is the consequence and not the cause of rising prices.

Shifting the Responsibility

A characteristic of our modern times is the reluctance of men as well as of governments to assume full responsibility for their acts. The government tries to evade its responsibility for the evil effects of inflation by hypocritically appearing before the people not only blameless for the high cost of living but also as solicitous to alleviate their sufferings! So, the propaganda machine of the government moves to divert the indignation of the people from itself to these so-called profiteers as being responsible for their plight.

Certainly, this policy of the government, causing prices to rise through inflation and checking them by means of price control, can be justified neither by logic nor by moral principles. It is the old game of doing one thing with the right hand and trying to undo it with the left, believing that the people are too naive or too dull to understand this double dealing.

A dishonest policy breeds evil consequences. When the government imposes price control, the implication is that the ceiling prices fixed by the government are *below* the natural level, as determined by law of supply and demand; for if these ceiling prices were always at par with the prices as determined by supply and demand, there would be no sense in controlling prices at all.

When the government enforces prices *below* those which would be determined by the law of demand and supply, the effect is to discourage production because farmers, for instance, will certainly not bring the products of their farms to the city to sell them at prices below their cost of production. Such price controls dislocate trade because merchants will certainly not sell their goods at prices lower than they paid for them. Even at the risk of violating the law, these merchants will sell their goods at a profit in the so-called black market, or they will consume the goods themselves rather than suffer loss,

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or they will hoard the goods for better times.

Discouragement of production and dislocation of trade obviously means reduced supplies of goods, fewer goods to consume, less food to eat – the experiment always ending in diffused misery. Price control in the long run proves to be what it always has been and will be: a remedy worse than the malady it aims to cure.

A Record of Failure

The long experience of mankind reveals no instance where price control has ever solved the consequences of inflation, which are injustice, confusion, hunger of the body, and degradation of the soul. We experienced these effects here in the Philippines under the Japanese military regime, particularly during its last hectic days.

In the November 1952 issue of the *Reader's Digest*, under the heading "The Price of Price Controls," Mr. Irving S. Olds relates clearly and concisely mankind's experience with price controls from ancient to modern times, and concludes:

"So the evidence is clear and overwhelming. Throughout 40 centuries of human experience, price controls at their best have always been a miserable failure. At their worst, they have led to famine and disaster."

Let us now examine the effects of government controls on the external economy of the nation, specifically foreign exchange control.

Foreign Exchange Control

When our government's deficit spending and budgetary deficits become chronic, the people in general, and the alert businessman in particular, know that the government will eventually be unable to maintain the parity of the peso with the dollar at the official rate of 2 pesos to $1. Man's normal reaction against an impending financial debacle is always to protect his interest. He proceeds to safeguard his *dear* pesos against the possibility, nay, certainty, of their deterioration into cheap pesos. Hence, the general rush to banks for conversion of pesos into dollars while this is permissible. The wealthy businessman does the conversion of his pesos into dollars by simply buying dollar drafts with pesos. The dollars bought are deposited to his account in his chosen bank in the United States.

This mass migration or exodus of Philippine pesos, seeking safer havens in American banks as dollar deposits, is what is known as the flight of capital. To stop this flight of capital, the government imposes exchange control.

The reason for the flight of capital is the people's suspicion or

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fear of the currency's imminent nonconvertibility. Subsequent events confirm the people's correct prognostication. When the currency becomes actually nonconvertible, its nonconvertibility is, undeniably, the result of inflation. Inflation is due to an excess of paper money. But, as I have already pointed out, only the government can issue paper money; therefore, the government is solely responsible for the flight of capital.

Further "Buck-Passing"

In the case of price control, we mentioned that the exclusive responsibility of the government for the abnormal rise of prices is not apparent to the average citizen. In the case of exchange control, the exclusive responsibility of the government for the flight of capital is even less apparent to the average citizen. Even an intelligent person can easily be misled about the implications of exchange control, because exchange control seems to imply that the government condemns the flight of capital, which it tries to stop by exchange control. The implication is that somebody else – not the government – is responsible for the abnormal situation, which is the flight of capital.

To wash the responsibility off its hands, the government again resorts to the Machiavellian tactic of "passing the buck." Those who, before the imposition of exchange control, were able to export their capital to foreign lands are branded as "economic traitors." Those who, after the imposition of exchange control, deal in dollars in the black market are labeled as "profiteers." They are condemned by the government as the villains responsible for the low value or depreciation of the peso.

How should we judge the acts of these men? Those who exported their capital before the imposition of exchange control are not economic traitors; they did not violate any law or do anything immoral. They only exercised their legitimate right in converting their own pesos into dollars at the rate guaranteed by their government of 2 pesos to $1.

As regards the merchants who *after* the imposition of the exchange control deal in dollars in the black market, they may be called "profiteers" only in the sense that they are selling dollars at more than the official government rate, but it does not follow therefrom that they are responsible for the low value of the peso. The depreciation of the peso is the government's own exclusive responsibility. In other words, the so-called profiteering in dollar exchange is the consequence and not

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the cause of the rising market value of the dollar – a by-product of which is the flight of capital.

Black Market or Free?

In this connection, it may not be amiss to clarify further the nature of the black market. The black market is the free market, in contrast with the market controlled by the government, which is not free. Dictators, socialists, communists, and, in general, all nonbelievers in free enterprise, have something in common: the ambition to wield unlimited powers over the economic life of a nation. Their ambitious program to regiment the economy of a nation is masked with such colorful names as "planned economy," "full employment policy," "new deal," "Fabian socialism," "welfare state," and so on. These nonbelievers in free enterprise are quick to realize that in order to achieve their aims they must eliminate or outlaw the stumbling block to their scheme, namely, the free market, to which they give the unpopular name of black market.

The operation of economic laws, however, cannot be set aside by derision and wishful thinking. Let us take specifically one effect of controls, which is to aggravate the shortage of goods. When people are hungry and cannot get the food and the other prime commodities they need except in the black market, the existence of the black market becomes not only a necessity but actually a blessing. Many will recall that the black market saved many of our countrymen from starvation during the Japanese Occupation. In short, history records that the black market, notwithstanding all government propaganda to blacken its name, has in many instances served to mitigate the effects of the blunders and the abuses of bureaucratic incompetence and tyranny.

Investors Discouraged

A dishonest policy produces evil consequences. The evil consequences of exchange control stem from the fundamental proposition that exchange control reduces the foreign trade of a nation. Reduction of foreign trade means reduction of the real income of the people, lowering consequently their standard of living.

Another evil consequence of exchange control, which may be considered a corollary of its general effect of reducing world trade, is that it discourages the flow of capital from areas where it is plentiful to those where it is relatively scarce. Our country, like any other underdeveloped country, needs the help of foreign capital for the development of its natural

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resources. American capitalists are not only willing but eager to invest their dollars in our country. They will not invest in any foreign land, however, without some assurance that they may recall their capital when they choose, and that they may receive the profits that they expect from their investment.

These two minimum requirements to attract foreign capital are in direct conflict with the very nature and purpose of exchange control. So, the indispensable attraction for foreign capital to come to the Philippines is the abolition of all government controls, especially exchange control. After abolishing exchange control, we must further assure prospective foreign investors that we do not contemplate any future system of exchange control.

The Best Policy Is Freedom

History records at least 40 centuries of human experience with price control. Exchange control is a comparatively modern phenomenon. It first appeared in 1931, when German exchange control laws were adopted and enforced by "Fuhrer" Adolf Hitler upon the advice of his Finance Minister, Hjalmar Schacht. Soon thereafter other European countries followed suit. Today a great portion of the world, the Philippines included, is under exchange control. In my view, the existence of exchange control is the best proof that a nation's economy is abnormal.

As in the case of price control, contemporary history confirms that there is not a single instance where exchange control has ever solved the consequences of inflation upon the external economy of a nation.

Price and exchange controls are remedies worse than the malady they are designed to cure. The error lies in mistaking the symptoms for the real cause of the disease, which is the policy of the government of spending beyond its means.

IDEAS ON LIBERTY

Faith In Freedom

WE BELIEVE that the high living standards and personal freedoms enjoyed by the Western Nations are the result of the free market economy adopted by these countries, when the controls of the past ages were abolished.

From the creed of the New Zealand Society for Economic Individualism

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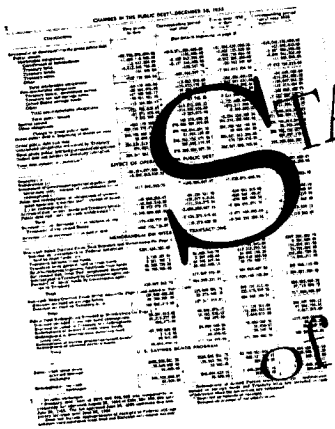

STATISTICS: Achilles' Heel of Government

MURRAY N. ROTHBARD

OURS is truly an Age of Statistics. In a country and an era that worships statistical data as super-"scientific," as offering us the keys to all knowledge, a vast supply of data of all shapes and sizes pours forth upon us. Mostly, it pours forth from government. While private agencies and trade associations do gather and issue some statistics, they are limited to specific wants of specific industries. The vast bulk of statistics is gathered and disseminated by government. The over-all statistics of the economy, the popular "gross national product" data that permit every economist to be a soothsayer of business conditions, come from government. Furthermore, many statistics are by-products of other governmental activities: from the Internal Revenue bureau come tax data, from unemployment insurance departments come estimates of the unemployed, from customs offices come data on foreign trade, from the Federal Reserve flow statistics on banking, and so on. And as new statistical techniques are developed, new divisions of government departments are created to refine and use them.

The burgeoning of government statistics offers several obvious evils to the libertarian. In the first place, it is clear that too many resources are being channeled into statistics-gathering and statistics-production. Given a wholly free market, the amount of labor, land, and capital resources devoted to statistics would dwindle to a small

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fraction of the present total. It has been estimated that the federal government alone spends over $43,000,000 on statistics, and that statistical work employs the services of over 10,000 full-time civilian employees of the government.[1]

The Hidden Costs of Coerced Reporting

Secondly, the great bulk of statistics is gathered by government coercion. This not only means that they are products of unwelcome activities; it also means that the true cost of these statistics to the American public is much greater than the mere amount of tax money spent by the government agencies. Private industry, and the private consumer, must bear the burdensome costs of record-keeping, filing, and the like, that these statistics demand. Not only that; these fixed costs impose a relatively great burden on *small* business firms, which are ill-equipped to handle the mountains of red tape. Hence, these seemingly innocent statistics cripple small business enterprise and help to rigidify the American business system.

A Hoover Commission task force found, for example, that:

"No one knows how much it costs American industry to compile the statistics that the Government demands. The chemical industry alone reports that each year it spends $8,850,000 to supply statistical reports demanded by three departments of the Government. The utility industry spends $32,000,000 a year in preparing reports for Government agencies . . .

All industrial users of peanuts must report their consumption to the Department of Agriculture . . . Upon the intervention of the Task Force, the Department of Agriculture agreed that henceforth only those that consume more than ten thousand pounds a year need report . . .

If small alterations are made in two reports, the Task Force says, one industry alone can save $800,000 a year in statistical reporting.

Many employees of private industry are occupied with the collection of Government statistics. This is especially burdensome to small businesses. A small hardware store owner in Ohio estimated that 29 per cent of his time is absorbed in filling out such reports. Not infrequently people dealing with the Government have to keep several sets of books to fit the diverse and dissimilar requirements of Federal agencies."[2]

Other Objections

But there are other important, and not so obvious, reasons for the libertarian to regard govern-

[1] Cf. Neil Macneil and Harold W. Metz, *The Hoover Report, 1953-1955* (New York: Macmillan, 1956), pp. 90-91; Commission on Organization of the Executive Branch of the Government, *Task Force Report on Paperwork Management* (Washington: June, 1955); and *idem, Report on Budgeting and Accounting* (Washington: February, 1949).

[2] Macneil and Metz, *op. cit.* pp. 90-91.

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ment statistics with dismay. Not only do statistics-gathering and producing go beyond the governmental function of defense of persons and property; not only are economic resources wasted and misallocated, and the taxpayers, industry, small business, and the consumer burdened. But, furthermore, statistics are, in a crucial sense, critical to *all* interventionist and socialistic activities of government. The individual consumer, in his daily rounds, has little need of statistics; through advertising, through the information of friends, and through his own experience, he finds out what is going on in the markets around him. The same is true of the business firm. The businessman must also size up his particular market, determine the prices he has to pay for what he buys and charge for what he sells, engage in cost accounting to estimate his costs, and so on. But none of this activity is really dependent upon the omnium gatherum of statistical facts about the economy ingested by the federal government. The businessman, like the consumer, knows and learns about his particular market through his daily experience.

Bureaucrats as well as statist reformers, however, are in a completely different state of affairs. They are decidedly *outside* the market. Therefore, in order to get "into" the situation that they are trying to plan and reform, they must obtain knowledge that is *not* personal, day-to-day experience; the only form that such knowledge can take is statistics.[3] Statistics are the eyes and ears of the bureaucrat, the politician, the socialistic reformer. Only by statistics can *they* know, or at least have any idea about, what is going on in the economy.[4] Only by statistics can they find out how many old people have rickets, or how many young people have cavities, or how many Eskimos have defective sealskins — and therefore only by statistics can these interventionists discover who "needs" what throughout the economy, and how much federal money should be

[3] On the deficiencies of statistics as compared to the personal knowledge of all participants utilized on the free market, see the illuminating discussion in F. A. Hayek, *Individualism and the Economic Order* (Chicago: University of Chicago Press, 1948), Chapter 4. Also see Geoffrey Dobbs, *On Planning the Earth* (Liverpool: K.R.P. Pubs., 1951), pp. 77-86.

[4] As early as 1863, Samuel B. Ruggles, American delegate to the International Statistical Congress in Berlin, declared: "Statistics are the very eyes of the statesman, enabling him to survey and scan with clear and comprehensive vision the whole structure and economy of the body politic." For more on the interrelation of statistics — and statisticians — and the government, see Murray N. Rothbard, "The Politics of Political Economists: Comment," *The Quarterly Journal of Economics* (November 1960), pp. 659-65. Also see Dobbs, *op. cit.*

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channeled in what directions. And certainly, only by statistics, can the federal government make even a fitful *attempt* to plan, regulate, control, or reform various industries – or impose central planning and socialization on the entire economic system. If the government received no railroad statistics, for example, how in the world could it even start to regulate railroad rates, finances, and other affairs? How could the government impose price controls if it didn't even know *what* goods have been sold on the market, and what prices were prevailing? Statistics, to repeat, are the eyes and ears of the interventionists: of the intellectual reformer, the politician, and the government bureaucrat. Cut off those eyes and ears, destroy those crucial guidelines to knowledge, and the whole threat of government intervention is almost completely eliminated.[5]

[5] "Government policy depends upon much detailed knowledge about the Nation's employment, production, and purchasing power. The formulation of legislation and administrative progress . . . Supervision . . . regulation . . . and control . . . must be guided by knowledge of a wide range of relevant facts. Today as never before, statistical data play a major role in the supervision of Government activities. Administrators not only make plans in the light of known facts in their field of interest, but also they must have reports on the actual progress achieved in accomplishing their goals." *Report on Budgeting and Accounting, op. cit.*, pp. 91-92.

Without Statistics Bureaucracy Would Wither Away

It is true, of course, that even deprived of all statistical knowledge of the nation's affairs, the government could still *try* to intervene, to tax and subsidize, to regulate and control. It could try to subsidize the aged even without having the slightest idea of how many aged there are and where they are located; it could try to regulate an industry without even knowing how many firms there are or any other basic facts of the industry; it could try to regulate the business cycle without even knowing whether prices or business activity are going up or down. It could try, but it would not get very far. The utter chaos would be too patent and too evident even for the bureaucracy, and certainly for the citizens. And this is especially true since one of the major reasons put forth for government intervention is that it "corrects" the market, and makes the market and the economy more rational. Obviously, if the government were deprived of all knowledge whatever of economic affairs, there could not even be a *pretense* of rationality in government intervention. Surely, the absence of statistics would absolutely and immediately wreck any attempt at socialistic planning. It is difficult to see what, for example, the cen-

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tral planners at the Kremlin could *do* to plan the lives of Soviet citizens if the planners were deprived of all information, of all statistical data, about these citizens. The government would not even know to *whom* to give orders, much less how to try to plan an intricate economy.

Thus, in all the host of measures that have been proposed over the years to check and limit government or to repeal its interventions, the simple and unspectacular abolition of government statistics would probably be the most thorough and the most effective. Statistics, so vital to statism, its namesake, is also the State's Achilles' heel.

BEING NEGATIVE

E. F. HUTTON

I HAVE A LETTER from the mother of six children. She said she had been "so busy being a mother that I had not realized what was going on in my country."

She could not understand how anybody could look back through history and not see that as soon as people turn to government for handouts, "the country soon rotted."

Of course, I agree. History proves that. But so many people appear not to believe history.

I said "appear." Do they really? Down deep, I don't think they do. I believe most of us get more happiness working hard for something we can put our hearts into, than using the ballot as a gun in order to live off the sweat of other people's brows.

I believe the pendulum of public opinion is starting to swing back from "voting yourself rich" toward pluck, elbow grease, self-reliance and honest living.

But it worried this mother of six young Americans, that she was becoming "negative." It bothered her that she was no longer running with the herd.

I wrote her not to be afraid of being negative. For whenever she is negative to something, she is affirmative to its opposite! If she is negative to filth, she is affirmative to soap; if she is negative to loafing, she is affirmative to working.

If she is negative to communism and atheism, she is affirmative to God, church, her children, and her country.

Mr. Hutton is the well-known industrialist, investment banker, and author of the column, "Think It Through."

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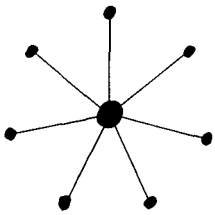
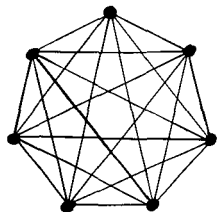


CENTRALIZED or MULTIPLE ECONOMIES



GEORGE WINDER

ALL the politico-economic systems in which the world's peoples make their living can be divided into centralized or multiple economies. In the first of these two great classes all production is directed by a central authority which consists of, or derives its power from, a chief, council of elders, king, or in the case of communist countries a political staff under the over-all command of a dictator. It is conceived by socialists that an authority directing a centralized economy could derive its power from an elected assembly, but in practice, democracy and the centralized economy have rarely coexisted.

The great characteristic of a centralized economy is that all economic activities are directed or planned by a central authority so that the people are subjected to a hierarchical control. Every man has a superior whom he must obey. The most outstanding examples of the centralized economy are:

1. *Primitive communism* which once existed among all peoples and still survives in many uncivilized countries. All production in this stage of society is under the direction of chiefs or councils of elders. No individual responsibility exists.

2. *The feudal system* in which land, the one all-important means of production, is held in the name of the king, who appoints powerful henchmen to insure that it produces supplies and fighting men.

Mr. Winder, formerly a Solicitor of the Supreme Court in New Zealand, is now farming in England. He has written widely on law, agriculture, and economics.

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The land itself is usually worked under some form of communal control under the direction of such bodies as manor courts. Individual responsibility is of a most rudimentary kind.

3. *Collective states* such as Nazi Germany and fascist Italy. Here the hierarchy of control is fully evident, but although all production is directed and all capital controlled by the state, the nominal legal ownership of property remains in the hands of individuals who receive a share of its proceeds subject, usually, to the process which Lord Keynes has described as the "euthanasia of the rentier."

4. *The communist or socialist state.* Here the control of property and the direction of production is the same as in the Nazi or fascist state, but the individual owner has been liquidated and his property confiscated.

In these last two forms of the centralized economy, the direction of production has always passed into the hands of a dictator who appoints planners to manage the economy subject to his control in which political considerations play the decisive part.

There is nothing new in any of these centralized economies. They, and the hierarchical system by which they are controlled, have been known for countless ages. The subjection of the individual to the blind instincts of the group which is their outstanding characteristic may be said to be the natural condition of man before he trained himself for civilization. That some of these centralized economies make use of and even develop the modern products of capitalism cannot alter this fact.

The centralized economy still has a very great attraction for many people. It relieves them of responsibility for the conduct of their own lives so long as they adhere to the prevailing collective ideas and emotions. In misery and war increasing numbers of men will always revert to it. This to some extent explains the easy acceptance of Nazism and fascism in such comparatively civilized countries as Germany and Italy. Most of the modern collective ideologies arise from this instinctive desire to be taken care of by a superior authority. This instinct lies latent in most of us as the result of our background of centuries of tribal communism. It can only be overcome by a firm belief in philosophy or religion.

A Multiplicity of Directors

On the other hand, the multiple economy depends for its efficiency, not on the concentration of economic direction, but on the breaking up of that direction into as

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many hands as is reasonably possible. It makes every capitalist direct his own small share of the economy. His right to do so arises from his ownership of property. A multiple economy is planned or directed by the owners of farms, factories, ships, banks, trucks, shops, and in fact the owners of any property which is capable of assisting in the great work of production.

Now this type of economy with its multiplicity of directing authorities seems to be quite beyond the comprehension of the socialist who cannot understand this diversity of direction. He believes that if more than a tiny group of experts direct an economy, then chaos must inevitably result. How can a vast complicated economy be planned and ordered without competent economists to direct it from the center? One cannot run even a single business without planning it carefully; how, therefore, can one run an economy such as that of America or Great Britain without such planning?

We saw something of this line of reasoning in the first conference of the British Labour Party after the war when at the instance of Professor Laski a resolution was passed stating that "there must be no return after the war to an unplanned competitive society," and proposing instead "the planning of production for community consumption." Similar demands for a planned economy by socialist and American "liberals" have been too numerous to recall.

The Mechanism of Control

But fortunately for humanity, the multiple direction of the economy by innumerable capitalists – each concerned with only a tiny part of the total production – does not mean chaos. On the contrary, it means the most efficient direction and planning of an economy that the world has yet been able to attain. The reason for this is that the capitalist's control of his section of the economy is not absolute. He is under the strictest orders of a power far greater than himself. His bonds may appear to be light for they are of an impersonal nature, but they are extremely strong. Any disobedience will be revenged, as a last resort, with bankruptcy.

This powerful master of all capitalists who co-ordinates their production, and in fact plans their whole economy, is none other than the people themselves who exercise their power by means of the free price mechanism, which is the most efficient instrument for directing and planning an economy that has yet been devised. The production and investment of the apparently independent capitalists

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are directed by the rise and fall of the prices of commodities and services. A movement of prices will tell producers far quicker than can any state economic planner what their masters, the consumers, want them to produce and where to invest their capital. The free price mechanism, by preventing waste and by giving swift directions to capitalists, which must be obeyed on pain of bankruptcy, has made the multiple economy the most efficient system for supplying the wants of the people that the world has ever known.

Under such a system, gluts and scarcities cannot occur except as the result of some unforeseen natural phenomena. Such maladjustments as the United States has experienced with her farm supplies, or such depressions as that inflicted upon the world in the thirties cannot possibly occur.

Uniformity and Order

Far from chaos and unbalance being the result of the multiple or free market economy, as socialists claim, many economists have been struck by the efficient co-ordination or planning it brings about. Professor H. D. Henderson, for example, in his Cambridge Economic Handbook, *Supply and Demand*, writes of this co-ordination in the following words: "Just as in the world of natural phenomena, which for long seemed so wayward and inexplicable, we have come gradually to perceive an all-pervading uniformity and order. So there is manifest in the economic world uniformity and order of a similar, if less majestic kind."

The great Bastiat speaks of this same co-ordination in the following words: "On entering Paris which I came to visit, I said to myself – Here are a million of human beings who would all die in a short time if provisions of every kind ceased to flow toward this great metropolis. Imagination is baffled when it tries to appreciate the vast multiplicity of commodities which must enter tomorrow through the barriers in order to preserve the inhabitants from falling a prey to the convulsions of famine, rebellion, and pillage. And yet all sleep at this moment, and their peaceful slumbers are not disturbed for a single instant by the prospect of such a catastrophe. On the other hand, eighty departments [provinces] have been laboring today, without concert, and without any mutual understanding, for the provisioning of Paris."

It may be argued that owing to the great increase in the government control of economic affairs since the days of Bastiat such an illustration as he has given us is no longer applicable. It is true

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that the directing power of the price mechanism has been reduced with many unhappy results, but it still remains the most effective economic guide we have. This is illustrated by the great improvement which occurred in the British economy as soon as the Conservative government released it from many of the direct controls which their socialist predecessors retained long after the war had ended.

Sometimes the socialist will claim that the freedom of the market must be restricted for the sake of the freedom of the people. They do not realize that in interfering with the price mechanism it is this very freedom of the people they destroy.

A Just and Impersonal Guide

The first attributes, then, of the multiple or market economy are order and efficiency, but it has other virtues equally important. We have seen that the owner of capital in a multiple economy must submit to the demands of the market which he will find a completely ruthless master. At the same time it is a master which has the inestimable virtue of being completely just and impersonal. It does not rule by sending Commissars or Gauleiters to the capitalist's office to instruct him what he must produce. It is impervious to the corrupting influence of pressure groups. The capitalist must obey the market, but he need submit to no visible human master. It is because of this impersonal rule that the multiple economy is the one form of economy in which men can be free.

In the multiple economy the market rules a great part of our lives. When in our youth we choose the occupation we will follow, the market tells us what remuneration we may expect and influences us accordingly. In most modern states this influence is qualified by the efforts of trade unions, and to some extent by legislation, but the market rate for wages is still a most important element. The market helps us to decide what we shall eat and how we shall clothe ourselves and furnish our home. We must consider the market when we choose the house in which we will live. Where there is no free market the people do not choose their houses for themselves; they are "housed." The market decides whether our work gives satisfaction to a great many people, in which case it will make us wealthy, or whether it gives only average satisfaction, in which case our rewards will be of a corresponding nature. If, with our capital or our labor, we do nothing for the community, the market will give us nothing in return.

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If a man is to live without either robbery or charity, then he must supply the market with goods or labor. These must be of a type the market demands, otherwise they will not sell.

We may safely say that the market controls more than half of earthly activities. This means that even the freest of us are for a great part of our lives in bondage to the wishes of other people, but as their demands are expressed through the market, these bonds appear to us to be light.

The Political Master

Thus we may say that the chief master of human activities consists of nothing less than the people themselves ruling through the price mechanism. But there is a second master who also has a very great command over our lives. This is, of course, the government of the country in which we live. This second master rules through established laws and sometimes through regulations and fiats, and its instruments for enforcing its rule are the police.

For centuries the provinces of these two rulers were not clearly defined. All economic power and political power resided in the same hands. Between the Renaissance and World War I, however, all development toward freedom and civilization has also been toward the separation of these two masters of human destiny. We see this separation growing with the Tudor revolution, the English civil war, the later revulsion against mercantilism, and in the insistence of the nineteenth century liberals that the state should not interfere with the economic system. It was the origin of those provisions in the American Constitution which seek to limit both the power of the federal government and of the state.

It is the separation of economic and political power which makes liberty possible. This separation is found only in the multiple economy. In that economy the capitalist, with his rights in his property, protected by law, is free to follow the directions of the people expressed through the market. He knows that as long as he satisfies the market he is secure and independent. If he satisfies his customers, he need call no man master. He can denounce the government to his heart's content without fear of losing the position which the market economy has given him. He can demand the right to travel abroad, the right to free speech and free press, and he knows that his independence is safe, and that no official can harm him. So long as the law continues to protect his property and those rights which have been associated

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with property in all civilized countries, he knows his freedom is assured. His property, as well as giving him freedom from the power of the state, also protects him from the ill will of his neighbors. The owner of property can be agnostic in a Protestant or Catholic district, or can be a colored man in a white neighborhood. An owner of property may be uncouth, uneducated, and rude, but nevertheless, if he manages his property wisely he can laugh at those who dislike him. It is surprising what prejudices we will overcome to deal with a man who provides us with honest goods or efficient service. Only in a property-owning economy can the outsider, the eccentric, or the original mind flourish. In centralized economies even the laughter or the ridicule of one's neighbors seems to be enough to keep the divergent individual in line. Property with its rights securely enforced by the courts is the very basis of human freedom. It is no accident that in all countries where private property has ceased to exist, freedom has perished.

Are Workers Free?

Someone may here say, "This is all very well for the property owner, but what of the people who have no property – can they be equally free?" Not, perhaps, quite so free. A worker who must obtain a job will be well advised to avoid airing extreme views. It is just possible that racial or religious considerations may affect him more than they would an independent capitalist. But for all essential purposes, a worker in a multiple economy is as free as the capitalist. He need not fear his foreman or employer as a communist worker fears his immediate superior. The basis of his freedom is the multiplicity of property owners who can employ him. With many potential bosses he need be subservient to none. Furthermore, he knows that he himself can become a property owner and employer.

Property rights have often been described by socialists as "reactionary barriers against the will of the people." Not so. They are barriers against the state, and they protect the people from the abuse of its power. But they are effective barriers only so long as the two masters of men, the free market on the one hand and the government on the other, are kept separate and distinct. These masters must be confined to their own provinces of control.

When there is no free price mechanism to co-ordinate the economy, then dislocation is bound to arise. Depressions – such as that which followed World War I when

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political considerations controlled a great part of the world's economy – become unavoidable and lead to still further control and further economic dislocation. If this development is allowed to continue, the rule of the economy by the people through the price mechanism comes to an end; their place is taken by the planner under the instructions of the political group in power. With the merger of economic and political power into the hands of the one authority the multiple economy is destroyed and freedom comes to an end.

Central Planning Means a Hierarchy of Control

In the centralized economies all men are subject to a hierarchy of control. Of course we know that in a multiple economy such a control exists in every individual firm from the manager right down to the office boy, but it exists only during business hours. Moreover, if an employee does not like the orders given him during his working hours, he can always find another job. But in a centralized economy there is only one employer, the state, and this all-powerful employer always interferes with the people, even when their working hours are over. Along with the control of man's economic activities in a centralized economy, there always goes control of his religion or ideology. Not only a man's labors, but his very mind must be subject to the will of those who control the economic system. If a man's mind were allowed to be free, then he might resent his place in the hierarchy, or even cease to believe in the prevailing economic system; and that would be dangerous in a centralized economy for all men depend on the current politico-economic plan for their livelihood.

As the economy is planned by the central authority, its smooth working depends upon all fulfilling the work allotted to them. Even the right to possess a private garden or cow is a privilege that distracts a man from his job, interferes with the over-all plan, and can seldom be allowed. He who does not do his job sabotages the whole political plan. As all capital is controlled and directed by the state, so also must all labor be allotted its task by the state. He who expresses an opinion dangerous to the government is invariably endangering the whole economy and is therefore, in the eyes of the regimented people, justifiably silenced. As a consequence, the centralized economy not only controls all productive activity, but the very minds and lives of its people. The nonconformist must die. The centralized economy, whether it calls itself

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socialist, communist, fascist, or Nazi, always destroys freedom.

Plan Must Be Militarized

We in the Western world have not yet realized how much power the destruction of the free market and the establishment of a centralized economy must inevitably place in the hands of those who control the state. In no instance have freedom and democracy long survived the establishment of a centralized economy.

Dean Inge seems to have realized this when he wrote, "If a multitude is to be subjected to a plan, it must be militarized. If individuals are allowed a free choice, the plan is thrown into confusion. Bureaucracy, under an absolute ruler, or rulers, is necessary. Popular consent can be secured only by rigorous censorship and prohibition of free discussion. Espionage is a necessary part of the system, and a considerable amount of terrorism. Since private expenditure must be controlled, it is wise to keep private incomes near a subsistence level and to dole out any surplus on collective pleasures such as free holidays. We shall not understand totalitarian tyranny unless we realize that it is the result of the planned economy."

This is not to say that the state has no economic function whatever to perform. The state must help to keep the machinery of the market in working order. The basis of that machinery is the legal contract entered into by free men. Only the state can see that these contracts are enforced against men who disregard their obligations. The state must also see that the price mechanism is not impeded by cartels and monopolies – though this is largely a negative function of not granting privileges or licenses in the first place.

The primary rule of all good government is to realize that the power of the state must be strictly limited. The state must never be the enemy of the market, it should be its great protector. With the help of the multiple economy, the people themselves can be masters of all production and masters of the government as well. Destroy the multiple economy and they will be masters of neither.

It will be noticed that I could have used the established term totalitarian for my centralized economy, and that my multiple economy is, after all, only another name for the market economy or free enterprise. I have chosen my own terms, not with any desire to be original, but simply to emphasize the difference in the basic fcundations of the two great politico-economic systems. In every

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totalitarian state the complete control the government exercises over its people is based on a centralized economy, and wherever the people enjoy freedom their economy is a multiple one.

This, of course, implies that whether people are free or not depends on their politico-economic system. A critic may here point out that Karl Marx said very much the same thing. But there is a difference. The multiple economy is based on the rights of private property, and it is this that makes the system possible and thereby insures the freedom of mankind. But from whence came these rights of private property which are not the result but the cause of freedom? As far as the civilization enjoyed by the Western world is concerned, their origin is found in Christianity.

IDEAS ON LIBERTY

"Wasteful and Vulgar"

Advertising, according to Soviet economic theory, is "wasteful and vulgar," or as the Russian phrase goes, "not cultured." In practice, however, newspaper advertising is playing a growing part in Soviet domestic trade. In fact, advertisements now have become a regular feature in the "Economic Gazette." To illustrate, a Moscow factory plugs aluminum buttons and insignia made to order, according to customer specifications, for jubilees and sport festivals. Other producers offer for sale locomotives and freight cars, ship floodlights, flannel fabrics, wine vinegar, automobile spare parts, plastics, and chemicals. There also are ads for goods wanted. What place such huckstering has in Soviet economic planning is hard to define. However, it underscores the importance to the U.S.S.R. of so-called expediters or middlemen, who, by matching demand and supply, have managed to amass what capitalists might consider a fortune.

From *Barron's*, April 3, 1961

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Some Rules Are for Breaking

TO BE BIG is to be vulnerable – and the most successful big institutions are those that have set themselves up on an "as if" basis: "as if" they were a collection of smallnesses. The General Motors Company is one such institution, as Peter Drucker long ago reminded us in *The Concept of the Corporation.*

Part of the genius of the General Motors Corporation in the Alfred P. Sloan era was that it put its research program into the hands of Charles F. Kettering, a man who did not believe in experts, in committees, or in organization in general. Kettering – the famous "Boss Ket" – was a small-town man writ large. General Motors had its headquarters in Detroit, but Kettering insisted on living in Dayton, Ohio. When Ket had a problem to work out, he preferred to do it in a barn or an old tobacco warehouse, where an overproliferation of fancy equipment would not get in his way. He had a contempt for going by the formula; as he put it, all development "must be outside the rules." He believed in theories, but only as approaches to the problem at hand. If the problem changed the theory, so much the better. That, in Ket's estimation, was true progress.

The philosophy of this shrewd and skeptical man is scattered like nuggets in a selection of passages from his speeches that is published under the title of *Prophet of Progress,* edited by T. A. Boyd (Dutton, $5.00). Books of this sort do not ordinarily read too well, for they abound in repetitions and in jocosities that, however much they are appropriate to large audiences as attention gatherers, only serve to deflect the concentration of a reader in an armchair. But when Kettering repeated, it was apt to be something that had originated with himself in the first place, and his sunny sense of humor renders his jocosities at least bearable on the printed page.

Prophet of Progress comes out

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at an appropriate time, when General Motors, which gave Ket his head, is under attack for "monopolizing" the business of manufacturing diesel engines for the railroads. Ket wouldn't have understood the government's worry. It was he who put G.M. in the diesel business in the first place, and there was no "monopoly" about it – merely the most effective sort of open competition.

Designed for a Boat

The story can be pieced together from two of Ket's rather random talks, one that is included in this book under the general title of "Head Lamp of Industry" and another, also reprinted here, that is called "Revolution on the Railroad." When Ket started fooling around with the problem of finding an engine for his motor boat (mind you, this had nothing to do with railroad trains), he became dissatisfied with the type of "spark ignition" engine which is used in motor cars. The diesel type engine – a "compression ignition" engine – had been invented by Rudolph Diesel in Germany at the end of the nineteenth century, but it was big and cumbersome, and nobody thought it could be redesigned to deliver a lot of power in a relatively small space. The "formula" said the diesel had to be huge.

Ket, with his motor boat in mind, threw the old formula away. He made it an "intellectual golf game" for himself to devise a diesel that wouldn't weigh any more than a gasoline engine of comparable power. The main problem was reducing the tolerance of the diesel piston cylinder to a point that was smaller than the diameter of an oil molecule. If this could be done, there wouldn't be any need for bulky packing around the piston plunger to keep the oil from leaking out of the engine. Ket counsels his readers to remember that he is talking about measurements that are expressed in millionths of inches – or the width of an average human hair divided by 120.

Working on the Railroad

When he finally solved his problem, which was one of tooling for precision, Ket put two of his newly developed two-cycle diesels in operation at the Century of Progress Exposition in Chicago in 1933. Ralph Budd, the railroad man of the Burlington, saw them, and asked Ket to try to adapt the new lightweight diesel to the job of propelling a small three-car streamlined railroad train. When Ket came up with the first successful diesel-electric locomotive, it was just in time to haul the railroads out of a depression that

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would have busted most of them in that sorely distressed period when people where being taught that a "mature" economy would never produce anything new.

General Motors, then, got most of the growing business of making railroad diesels because its small-town "professional amateur" of automotive research had been tinkering on something that has still to be applied generally to automobile transportation. A different type of automotive employer would have begrudged the time spent by its chief of research on a power unit designed for fun in a motor boat, not for use in a motor car.

Where Is the Monopoly?

The point to be made at this particular period in history is that anybody could have done what Ket did, but that it was General Motors which allowed him the freedom to do it. The reward of General Motors was a ground floor position in an entirely new industry. It was a case of getting there first. That is the real substance of G.M.'s "monopoly" position in the diesel electric business. If the company has done something illegal to keep the lion's share of diesel manufacture, that is something else again. But the skeptical reader of the newspapers and of Kettering's speeches must be pardoned for reflecting on the fact that the diesel itself, as originally invented by a German, is now more than sixty years old. The patents must have long since run out. That would seem to indicate that anybody is free to cut for himself a bit of G.M.'s diesel business if he cares to raise the necessary investment and make a try. Where, then, is the "monopoly"?

A Fast-Drying Paint

Ket's relationship to the alleged du Pont "monopoly" of the business of supplying G.M. with fast-drying paint is another interesting commentary on the punitive nature of the antitrust laws when they are ignorantly invoked. The story of Ket's own development of a formula for the fast-drying paint is told dramatically in a speech called "I Am For the Double-Profit System." Ket had to do the first research himself because all the professional paint makers insisted that it was against nature to think that the painting job on an automobile body could be finished within an hour. Mooching about in New York one day, Ket noticed in a jewelry store window some pin trays that seemed to be finished in a new kind of lacquer. He traced the lacquer to a fellow who had a little laboratory in back of a business block in a New Jersey town. The fellow had been making it in less-

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than-a-quart lots. When Ket said he wanted some of the lacquer for automobile doors, he was told that it wouldn't do. "It dries too fast," so the laboratory owner said. "If you put it in one of your spray guns, it will dry and blow away before it reaches the door."

So Ket had two extremes—standard automobile paint that couldn't be speeded up, and a lacquer that couldn't be slowed down. He took his problem to du Pont, the company which had the best chemical experimenters in the paint business, and together with the du Pont research staff he finally succeeded in getting a new automobile body finish that was halfway between the extremes.

Help Is Where You Find It

Again, there is a point to be made in this present era of shotgun blunderbuss antitrust enforcement: du Pont did not "force" its paint on General Motors, it did not strong-arm competitive paint manufacturers to keep them from selling to a big corporation in which du Pont happens to own a considerable block of stock. The fast-drying paint was Ket's own idea, and he turned to du Pont for help in working it up because he couldn't get the requisite cooperation anywhere else. If that is "monopoly," then maybe we should have a little more of it.

"Education for Tomorrow"

Since Ket was a practical man, a cut-and-try fellow whose list of accomplishments owes little to the university laboratories, it might be thought that he would have been a champion of shop-training as against a formal engineering school education. It was strictly as a trial-and-error experimenter that Ket used electricity to take the old handcrank off the cash register when he was employed by the National Cash Register Company of Dayton. He was still the cut-and-try amateur when he devised the first practical electrical self-starter for a 1912 model Cadillac and when he took the "knock" out of engine gasoline. The amateur touch continued to operate in his choice of a mechanical engineer, Thomas Midgley, to work on the problem of getting a chemical refrigerant that would be nontoxic and noninflammable.

So what did this cut-and-try amateur suggest as a training regimen for prospective inventors in his speech, "Education for Tomorrow"? Did he advise hit-or-miss shop practice? No, he advised a full engineering course consisting of four years of physics, four years of chemistry, and three years of mathematics, filled out with a little history and economics. "With that foundation," said Ket, "I can take a man and teach him

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about a gas engine if he has never seen one. But I cannot take a specialist, if he has not had a basic education, because I cannot get it over to him if I work until doomsday."

In other words, begin with a thorough grounding in the "how" and the "why" of fundamentals. Such a grounding is necessary, so Ket thought, if one is to have enough flexibility to throw the narrow formulas away. The so-called basic educationists may be surprised to get such support in their ideas from such a practical learn-it-by-doing sort of man. ◆

▶ THE KOHLER STRIKE: Union Violence and Administrative Law, by Sylvester Petro. Chicago: Henry Regnery Company, 1961. 118 pp. $3.00.

Reviewed by Rev. Edward A. Keller, Professor of Economics, University of Notre Dame.

IN THIS brief book, Professor Petro incisively analyzes the most notorious and longest (six years) labor dispute of recent years. After a brief history of the Kohler strike, he makes a concise evaluation of the "facts" of the dispute on the basis of which the National Labor Relations Board ruled that the Kohler Company had failed "to bargain in good faith."

Professor Petro proves there was no basis "in fact" for such a finding by the trial examiner and the NLRB and that the ruling of the Board would most likely be reversed by the Federal Court to which the ruling has been appealed by the Kohler Company. So weak is the evidence on which the Board ruled, that Professor Petro designates the NLRB a "Kangaroo Court." He contends – correctly, in my judgment – that the Board failed to follow established legal rules of procedure and neglected relevant evidence.

Professor Petro concludes that the Board, as an administrative agency, makes administrative law beyond the jurisdiction granted the Board by the Taft-Hartley Act. He does not lay the blame primarily upon the composition of the Board which has been designated by union spokesmen as pro-management (see ruling re the Indiana Agency Shop) but upon the misadministration of law that necessarily flows from the inherent nature of the Board. He logically concludes that the remedy can lie only in amending the Taft-Hartley Act to take the administration of the law from the Board and put it into the federal courts where established rules of legal procedure and evidence would be followed.

This book exposes the intricacies of our national labor laws and the problems posed by their administration. The layman will find him-

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self lost in the maze of technicalities of a law which permits the frustration of justice by dragging out a dispute over years and years, with the end not yet in sight. And to those versed in labor law Professor Petro has done a great service by once again demonstrating his amazing ability to digest thousands of pages of testimony (as he did in his book on the McClellan Committee Hearings, *Power Unlimited*) and give a logical summary of the main issues. ◆

▶ THE ADMIRAL'S LOG II — In Search of Freedom, by Admiral Ben Moreell, U.S.N. (rtd.) Published by the Intercollegiate Society of Individualists, Philadelphia, Pennsylvania. $1.00 paperback (205 and XVIII pp.)

Reviewed by Frank Chodorov

A YOUNG MAN, a recent college graduate, said: "I believe in freedom and I am an atheist."

"If you deny God," I said, "on what grounds do you support the freedom of the individual?"

"Pragmatically. Freedom, which must include the free market, produces the greatest material results. Where there is no freedom to own private property, there will be no production. It is not in the nature of things that man should produce unless he will enjoy the fruits of his labor."

"You admit, then, that there is a nature of things, or natural law, over which legislators exercise no control. But, the existence of a natural order cannot be proved by ordinary methods of proof. You observe the operation of natural law, pragmatically, whenever you detect sequences of cause and effect in human affairs. If there were no natural laws in economics, legislation could accomplish all the collectivists say it can."

"That much is obvious."

"Well, whether you call it natural law, or the will of God, you believe."

Ben Moreell, in his recent book, *The Admiral's Log*, does not rest his case on pragmatic grounds alone. He believes. He accepts freedom and the free market not only because it yields the greatest results, materially, but because it is God's law that men should be free. Therefore, even if the free market did not produce the greatest material results, even if by some crazy miracle the planned economy or socialism or communism should out-produce the market economy, Ben Moreell would still choose freedom. For, to him, freedom means more than things. It means that the Creator intends man to be a self-reliant and responsible person, answerable for his behavior to himself, to his society, and to his God. Freedom is but the

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other side of this coin. Because of this native sturdiness and self-reliance the individual proves himself capable of producing the things he needs and wants – provided, of course, he is free to exercise his talents as he sees fit. That is, the individual is born free. If he is uninhibited by society or government or a majority from giving expression to his inner being, man can and will perform miracles, either as a producer, an engineer, an artist. If, on the other hand, restrictions are put upon him, or if he is reduced to alms-begging as a means of getting along, his soul will shrink, and he will become an irresponsible and unresponsive animal. Such is the law of freedom.

In one way or another, Moreell emphasizes this thought in all of the speeches and essays that constitute this book. For he is a deeply religious man, not in a sectarian or ritualistic sense, but in his full-hearted acceptance of the Judeo-Christian tradition on which Western civilization rests. Whether he is discussing politics, economics, or social relations, his frame of reference is always this tradition. He accepts the doctrine of natural rights because to reject it is to reject freedom; and, basing his thinking on that doctrine, he is for limited government and the free market. But, since these rights are derived from God, he holds that whenever the government intervenes in the individual's exercise of them, it is in fact making a mockery of God's law of freedom.

Some free market economists avoid religious concepts; it seems they fear to mention the words "natural law," or God, lest they become involved in metaphysics. They rest their case for the free market on utilitarian grounds; the free market, they insist, yields the greatest returns for the least expenditure of effort. But, the socialists also speak of utility when they point out that in the redistribution of wealth by government decree some are benefited; to the beneficiaries of government largess there is great utility in the scheme. The economists, in rebuttal, point out that in the long run government intervention must result in a diminution of production, which hurts everybody. To this the socialists reply either that in the long run we shall all be dead, or that when production does fall, government will take steps to overcome the deficiency; government's magic wand can accomplish anything. But, the question arises, why will the long-run consequences of government intervention be what the free market economists claim they will be? Why will the

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forced redistribution of wealth result in a diminution of production? It must be that man-made law runs up against the working of a natural law, in which case the man-made law takes second place.

Admiral Moreell accepts the concept of natural law and of the God implied by this concept. This is in the realm of faith, because the Reality in question cannot be captured in words. It is a life-enhancing faith which helps us make sense of the world in which we live. Reliance on government omniscience and omnipotence is also a faith, but it is a shallow faith which dissolves under examination. And so, in presenting his arguments for a free economy and limited government from religious premises as well as by demonstrating the desirable material and social consequences of such an arrangement, the Admiral is on sound ground. Being so based, his arguments proceed with logical cogency, and with a clearness of expression that makes his book a pleasure to read. It has the lucidity of a military man's report, without arcane language and academic hair-splitting; and yet, with the charm of civilized writing. ◆

The Admiral's Log II may be ordered from The Foundation for Economic Education for $1.00. *Log I*, "God, Man, Rights, Government" (176 pp.) is also available for the same price.

▶ THE PHILOSOPHY OF EDMUND BURKE, A Selection from His Writings and Speeches, by Louis I. Bredvold and Ralph G. Ross. University of Michigan Press. 276 pp. $5.95 cloth, $3.50 paper.

Reviewed by Samuel B. Pettengill.

NEARLY every problem in government and society would be better solved if it were exposed to the profound and luminous thinking of a man who died 164 years ago – Edmund Burke. This is particularly true with respect to the greatest danger facing the Western world – the threat of omnipotent government, foreign or domestic.

But how can modern men and women find time to read the sixteen volumes of Burke's speeches and papers? They can't or won't. It is fortunate, therefore, that the best of Burke has at long last been sympathetically collected into a single volume of 276 pages.

In his own words, these pages give Burke's thinking under nine main heads, such as the State and Society, Government and Human Nature, Reform and Tradition, Jacobinism, and others. These are not short quotes, but well-rounded excerpts, often several pages long, grouped under the main topics. The single fault of the editors is that the Index is too short for

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the easy finding of some particular item or remembered phrase.

Here is the quintessence of Burke, the great British statesman whose life span covered almost the same years as George Washington's. The book should be read by every editor, clergyman, professor of social science, public official, and the thoughtful members of the rising generation.

Burke lived through the American and French revolutions, and we are muddling through the revolution begun at Petrograd in 1917. It is amazing how much of Burke's thought is pertinent today. What he said of Jacobinism and the Terror in France in the 1790's is an almost exact description of modern communism as taught by Lenin, Stalin, and Mao Tse-tung.

For example: "To them the will, the wish, the want, the liberty, the toil, the blood of individuals is as nothing. The state is all in all. . . . Their imagination is not fatigued with the contemplation of human suffering through the wild waste of centuries. . . . Schools are founded at public expense to poison mankind. . . . They do not acknowledge God as the moral governor of the world. . . . They omit no pains to eradicate every benevolent and noble propensity in the minds of men. . . . It is a sect aiming at universal empire, beginning with the conquest of France. . . . To be at peace with such robbery is to be an accomplice of it."

Burke is charged with indifference to the sufferings of the common people which brought on the French Revolution. But he had said (and on many occasions had proved he meant it) that "I have incurred the odium of gentlemen in this House for not paying sufficient regard to men of ample property. When the smallest rights of the poorest people in the Kingdom are in question. . . . I would take my fate with the poor and low and feeble."

Burke was not responsible for the conflagration in France, but he felt a deep responsibility to keep its flames from spreading to his own country, and perhaps to the world. To that task he devoted the last years of his life. Similarly, no one today needs to defend Czarism in order to oppose communism.

On the Side of Freedom During American Revolt

Burke was actually one of the great liberals of his time, as that fine word was once understood. He was on the side of the Americans when they protested against tyranny. His most famous speech was "On Conciliation with America." In this struggle he saw a deeper meaning than the arbitrary orders of a governor, or the retaliation of a mob. He saw that the American

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colonists were fighting for the ancient liberties of Englishmen everywhere.

In the trial of Warren Hastings, which lasted nine years, Burke braved the insolence of office and the disfavor of the powerful to trumpet the wrongs of India, that "emptied and emboweled" land.

The Wisdom of History

He fought for the rights of Irishmen against the greed of British landlords and merchants. He fought for the civil rights of religious minorities. He carried on a long battle for parliamentary reform.

With this record, why is it that Edmund Burke is tagged as "old hat" by modern statesmen and professors "so restless. . . . to rid the world of nuisances"? It is because Burke believed in the wisdom of history. The key to Burke's philosophy is his concept that society is "a partnership not only between those who are living, but those who are dead and those who are to be born."

Because he would conserve the partnership of the dead and the wisdom of the past in order to better test the problems of today, he is a "conservative" – he would make haste slowly. He demanded that social principles be grounded in social experience, including past experience. From his encyclopedic knowledge of government during two thousand years he would ask: Wasn't this tried once before, and how did it work then?

"Politics," he said, "ought to be adjusted, not to human reasonings, but to human nature, of which reason is but a part and by no means the greatest."

Burke had no use for reformers who would wipe out whole groups of people, or their possessions, to make things fit into some jerry-built paradise. He would not sacrifice the living generation for a blueprint. To him usages, customs, and laws which had stood the test of time had a strong presumption in their favor.

It is fortunate that Burke's philosophy is now easily available to all honest minds that are grappling with the great problems of our time. ◆

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WHEN a devotee of private property, free market, limited government principles states his position, he inevitably meets a barrage of –

Clichés of Socialism

Available now are suggested answers to the following:

1. *"The more complex the society, the more government control we need."*
2. *"If we had no social security, many people would go hungry."*
3. *"The government should do for the people what the people are unable to do for themselves."*
4. *"The right to strike is conceded, but. . ."*
5. *"Too much government? Just what would you cut out?"*
6. *"The size of the national debt doesn't matter because we owe it to ourselves."*
7. *"Why, you'd take us back to the horse and buggy."*
8. *"The free market ignores the poor."*
9. *"Man is born for cooperation, not for competition."*
10. *"Americans squander their incomes on themselves while public needs are neglected."*
11. *"Labor unions are too powerful today, but were useful in the past."*
12. *"We have learned to counteract and thus avoid any serious depression."*
13. *"Human rights are more important than property rights."*
14. *"Employees often lack reserves and are subject to 'exploitation' by capitalist employers."*
15. *"Competition is fine, but not at the expense of human beings."*
16. *"We're paying for it, so we might as well get our share."*
17. *"I'm a middle-of-the-roader."*
18. *"Customers ought to be protected by price controls."*
19. *"The welfare state is the best security against communism."*
20. *"Don't you want to do anything?"*
21. *"If we need big business, why don't we need big government?"*
22. *"We believe in presenting both sides."*

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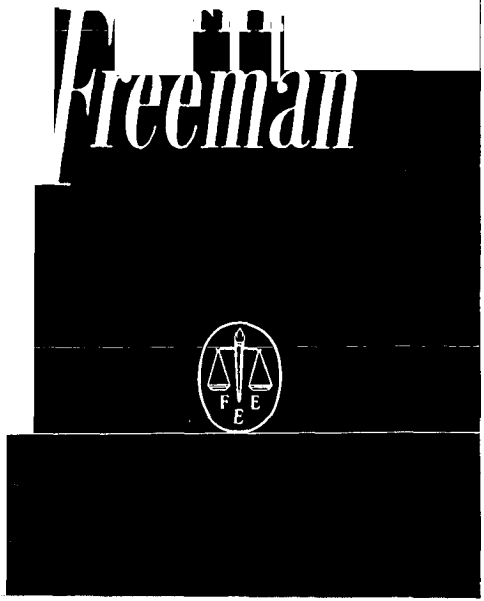

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